



President Jacques Chirac of France with his predecessor, François Mitterrand, at the Elysée Palace in Paris for the inauguration ceremony on Wednesday.

President Chirac Names Juppé as Prime Minister

By William Drozdiak
Washington Post Service

PARIS — With a ceremonial parade in the Champs-Élysées and a speech echoing from outside the Elysée Palace, Jacques Chirac was formally inaugurated as president of France on Wednesday.

He promised a new era of vigorous reform after the 14-year reign of his Socialist predecessor, François Mitterrand.

As one of his first official acts, Mr. Chirac named his close lieutenant, Alain Juppé, the outgoing foreign minister, to lead the new government as prime minister.

After holding a private one-hour meeting with Mr. Mitterrand to discuss state secrets and pass on the launching codes for France's nuclear strike force, Mr. Chirac was awarded the Grand Cross of the Légion d'Honneur and anointed as the fifth president of France's Fifth Republic by Roland Dumas, the head of the Constitutional Council.

Mr. Chirac's election has stirred alarm among some of France's European partners, who fear that he prefers a looser European Union and is not committed to the federal vision shared by Chancellor Helmut Kohl of Germany. In a bid to reassure Mr. Kohl about his desire to sustain French-German cooperation as the driving force behind the European Union,

Mr. Chirac will meet Mr. Kohl over dinner on Thursday in Strasbourg. (Page 5.)

In his brief inaugural speech, Mr. Chirac, 62, vowed to heal the "scars, fractures and inequalities" caused by one of the highest unemployment rates in Europe and pledged that employment would be his "constant concern."

He also promised a less monarchical presidency and pledged to remain close to the people.

"France is an old country, but it is also a young, enthusiastic nation ready to give the best of itself if only it is shown a horizon and not narrow, closed walls," Mr. Chirac declared. "I would like the French people at the end of my term to notice that

the change they hoped for has been achieved."

Mr. Chirac, who won the presidency on his third try in a runoff election May 7 against Lionel Jospin, a Socialist, enters office with perhaps the most powerful mandate held by any Western leader.

Besides the extraordinary powers wielded by the French president over foreign and security policy, the governing conservative alliance linking Mr. Chirac's Gaullist movement with former President Valéry Giscard d'Estaing's Union for French Democracy controls 80 percent of the seats in Parliament. They also hold power in 20 of the country's 22 regional councils.

Cabinet appointments are expected to

See CHIRAC, Page 10

China-Iran Reactor Deal Runs Into Snag

By Patrick E. Tyler
New York Times Service

BEIJING — Chinese and Iranian officials are deadlocked over the terms by which Beijing is to sell Iran two nuclear reactors under a 1992 contract, Chinese authorities said Wednesday.

The Clinton administration opposes the sale, arguing that even the supply of civilian nuclear reactors for electricity production will help Iran acquire knowledge and technology for nuclear weapons development.

Senior officials from the China National

Nuclear Corp., meeting with reporters here, indicated there are significant problems with the proposed sale, including technology issues, commercial terms and unspecified siting disagreements.

The Chinese officials, speaking on the condition that they not be identified, defended China's right to sell nuclear reactors to Iran for peaceful civilian power production.

But in the first extensive public comments about the deal, the officials indicated it was fraught with difficulties, and they were unwilling to predict when or if the deal could be concluded.

"The first major issue is the siting condi-

tions," a senior official from the agency said. His remark called into question some reports that China and Iran already had agreed on a site for the reactors at Esteghlal, near an abandoned nuclear complex at Bushehr on the Gulf coast.

"But there are also technical problems and lots of conditions on which both sides have not reached agreement," the official said, adding that unresolved "economic, business and commercial" terms have prevented the contract from coming into force.

Asked whether it was possible the reac-

See DEAL, Page 10

Suspect Reported to Admit Oklahoma Bomb Blast

By Pam Belluck
New York Times Service

OKLAHOMA CITY — Timothy J. McVeigh has claimed responsibility for the Oklahoma City bombing, according to two people who have talked with him in jail since his arrest.

He has told them that the federal building in Oklahoma City was chosen as a target because it housed so many government offices and because it was more architecturally vulnerable than other federal buildings, the two sources said.

Mr. McVeigh has also said he did not know there was a day-care center in the building and was surprised when he learned from newspapers that children had died in the bombing, according to these two people, who spoke on the condition of anonymity.

The suspect has told them he was not "directly involved" with armed civilian paramilitary groups, one person said.

In describing his life over the last year or two, he has mentioned "relationships and acquaintances with a few people who have

similar views," primarily people he met at gun shows, the person said.

Mr. McVeigh is being held at the Federal Correctional Institution in El Reno, Oklahoma, on charges of carrying out the bombing, which occurred on April 19 and killed 167 people, including 19 children.

His lawyer, Stephen Jones, has said he will plead not guilty.

[Mr. Jones said Wednesday he doubted that Mr. McVeigh had spoken to The Ti-

See BLAST, Page 10



Trade Minister Ryutaro Hashimoto speaking to reporters on Wednesday.

Lowly Snail, With a Penchant for Rice, Spells Disaster for Vietnam

By Philip Shenon
New York Times Service

TAM PHU, Vietnam — Centuries before anyone in France uttered the word escargot, the imperial chefs of Vietnam knew all about the gustatory delights of the snail. They are a delicacy here.

Common garden snails — *escargot*, as they are known by the Vietnamese — are gathered in the fields by the handful and then sautéed with a little garlic and salt.

In the late 1980s, a simple pleasure became big business when a group of foreign businessmen decided that snails were one more commodity that Vietnam should harvest and export to the outside world.

That may have seemed like a good idea

at the time. But far from earning their keep today, snails are threatening Vietnam with what could be its worst agricultural disaster in a generation.

Billions of snails — specifically, the big, imported, teacup-sized gastropods known as golden snails — are eating their way through the emerald-green rice paddies that this impoverished, overcrowded country depends on to feed itself.

According to government studies, the snails have invaded every one of Vietnam's 53 provinces. Last year, they devoured nearly 77,000 acres of rice and other crops.

"Anybody who believes that snails are slow creatures have never been to my farm," said Tran Van Thieu, 70, a farmer whose paddies in this southern village have been overrun by golden snails. "They eat

fast. They breed fast. They destroy the paddies fast."

He pulled off his cap and waded into the greenish mud of a paddy. He began plucking snails out of the mud, throwing them into his cap to show a visitor.

"You can see they are everywhere," said Mr. Thieu, who figures that about a third of his spinach and rice crops this year have been destroyed by the swarming snails. His fields are dotted with what appear to be large, ripe raspberries but are in fact the raspberry-colored egg pods of the golden snail.

The golden snail, a native of South America, was introduced into Vietnam in 1988 by a group of foreign businessmen, most of them apparently Taiwanese, who saw the snails as a profitable way of satis-

fying the palates of newly affluent Asians. (The Vietnamese do not eat golden snails themselves — they consider the meat too soft.)

But no one seems to have warned Vietnamese farmers that unlike common Vietnamese snails, which eat algae and other aquatic plants of no particular value to humans, golden snails prefer a diet of rice, the country's main crop. Scientists have determined that eight snails can consume one square meter — 11 square feet — of rice paddy a day.

And they breed as quickly as they eat. A single golden snail can lay as many as 25,000 eggs a year, and those offspring can begin laying their own eggs within two months of hatching. In one stretch of farmland in the northern Vietnamese province

of Vinh, scientists found 200 snails per square meter.

Among mollusks, golden snails are survivalists. When fields are drained, they simply burrow into the mud, where they can survive until the next planting season.

"This is an epidemic — a catastrophe," said Vuong Quoc Tuong of the Vietnamese Ministry of Agriculture, the man in charge of the government's anti-snail campaign. "I'm very much worried that they are multiplying faster than we can stop them."

The crisis has already attracted the personal attention of Prime Minister Vo Van Kiet, who banned the breeding of golden snails last September. But many smaller growers have ignored the ban, and heavy

See SNAILS, Page 10

Economy In Europe Menaced by The Mark

International Herald Tribune

BRUSSELS — The strength of the Deutsche mark and turbulence in the European monetary system are weakening prospects for economic growth and job creation in Europe, the European Commission said Wednesday.

The commission, the European Union's executive agency, said economic growth was likely to hit 3.1 percent this year, but then ease to 2.9 percent in 1996.

That would reflect a significant slowdown in Germany, which is the Union's economic motor, generating about one quarter of the 15-nation bloc's output. The commission left its forecast for 1995 German growth unchanged at 3.0 percent, but revised its 1996 estimate down to 2.6 percent, from 3.4 percent.

"The recovery has been maintained, although monetary turmoil has dampened growth," the Union's economic affairs commissioner, Yves-Thibault de Silguy, said in Strasbourg.

The reduced growth forecasts are expected to be a prime topic when France's newly installed president, Jacques Chirac, meets Chancellor Helmut Kohl of Germany in Strasbourg on Thursday.

Although his new prime minister, Alain Juppé, is considered to be firmly attached to cutting the budget deficit to achieve a single European currency by the end of the decade, another key Chirac backer, Philippe Seguin, has suggested abandoning the strong-franc policy to put job creation first.

The French franc slumped Wednesday, weakened by rumors that Mr. Chirac might do so. (Page 13.)

The prospects of a slowdown in growth increase the dilemma for President Chirac, who campaigned on a promise to slash France's 12.3 percent unemployment but who also inherited a decade-long French policy of defending the franc at all costs.

The French daily Le Monde said Wednesday that some of Mr. Chirac's supporters have urged him to persuade Mr. Kohl to agree to reform Europe's exchange-rate mechanism around new parities, devaluing the franc and incorporating the British pound and the Italian lira. Britain and Italy have gained a huge competitive edge through devaluation in the last three years.

A spokeswoman for Mr. Chirac said "all rumors regarding a change in the European Monetary System men-

See MARK, Page 10

EU Blasts U.S. Tariffs On Japanese Automobiles

Washington's Action Hurts WTO Credibility, Commissioner Says

By Tom Buerkle
International Herald Tribune

BRUSSELS — Europe has delivered a stiff rebuke to the United States in its trade dispute with Japan, saying Wednesday that Washington's decision to impose sanctions on Japanese luxury cars was an illegal act that threatened the credibility of the global trading system.

The European criticism gave direct support to Japan as Tokyo filed an appeal over the U.S. sanctions at the World Trade Organization in Geneva. It also reflected widespread dismay among trade officials that by taking unilateral action, the United States was threatening the integrity of the world's trade policing agency only five months into its existence.

"It seems to me that if what is threatened were done, on the face of it, that would be contrary to rules because it would be discriminatory action in breach of the MFN obligation," Sir Leon Brittan, the European Union trade commissioner, said in Strasbourg.

He referred to the most-favored-nation obligation of trade rules, which require WTO members to extend equal terms of trade to other members. The decision announced by Washington on Tuesday, which puts 100 percent punitive tariffs on 13 Japanese luxury car models that accounted for \$5.9 billion in sales in the United States last year, is a clear violation of those rules by singling out Japan, EU officials said.

Sir Leon said Europe was eager to increase car trade with Japan, where Europe has the largest share of the import market. "We all want to boost trade in cars, but to jeopardize the WTO's credibility so soon after its creation sends a bad signal," he said.

Sir Leon's criticism echoed Japan's argument when it notified the United States of its intention to file a complaint with the WTO.

In a letter delivered Wednesday to the U.S. ambassador to the WTO, Booth Gardner, Ambassador Minoru Endo of Japan said the U.S. sanctions would violate the organization's rules by discriminating against Japanese products and breaking previously agreed tariffs.

Mr. Gardner said the United States was not surprised by the criticism but was concerned about the impact the car dispute could have on the WTO. He said the

See CARS, Page 10

AGENDA

A Special Panel For Whitewater

WASHINGTON (AP) — The U.S. Senate voted Wednesday to establish a special panel to continue and intensify investigations into Whitewater matters touching on President Bill Clinton and his wife, Hillary.

By a vote of 96 to 3, the Senate adopted a bipartisan resolution establishing the special committee under the supervision of the Senate Banking Committee.

PAGE TWO

Remembering the Wall

ASIA Page 4.
Cult Leader Seeks Lawyer

EUROPE Page 6.
Redefining UN Bosnia Role

Editorial Pages 8, 9. Sports Pages 24, 25.
Books Page 7. Crossword Page 25.

International Classified

Page 4.

Dow Jones	Trib Index
Down 12.45	Unch
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The Dollar	West coast
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Lebanon.....US\$ 1.50	U.S. Mil. (Eur.).....\$1.10

History or Nonsense? A Battle Over Germany's Memory

An Eastern Town Is Divided Over Saving Its Wall

Rick Atkinson
Washington Post Staff

HOTENSLEBEN, Germany — Spring has crept into the death strip again. Thrushes sing, buttercups bloom and all seems right in a world where, not long ago, all seemed terribly wrong.

Along most of the 866-mile border that once separated East Germany from West, five years of unification have erased the scars of division so thoroughly that it is hard to tell exactly where the Berlin Wall ran.

There is no ambiguity in this central German town, however, for here the wall still stands. The city fathers of Hötensleben have not only preserved a 350-yard stretch that includes a double wall, steel "dragons' teeth" tank barriers and a watchtower but they have also rebuilt sections torn down in the 1989 euphoria that attended communism's collapse.

Their avowed intent is to memorialize a Germany cut in half for more than four decades — and perhaps lure a few tourists to town in the bargain. But the result has been to divide Hötensleben almost as thoroughly as the wall itself once divided this East German town from the West.

"This fragment is a witness to the Cold War," said Achim Walther, chairman of the town's Border Memorial Association. "It should be preserved and restored as an antidote against forgetting, against the suppression of memory, against distortion. People need to know what methods were used to keep the country divided. This is as much a part of our history as Bach or Goethe or Beethoven."

Nonsense, countered Hannelore Skoka, a pensioner who moved here from Leipzig in 1947, a year after the border between East and West Germany was closed by the occupying Soviet Red Army.

"Our point is that it's too big, too broad and it costs too much," said Miss Skoka, perhaps the most outspoken opponent. "How can I support this when I know what a burden it is for people who have had to look at the wall and tank traps all their lives? We've swapped the old dictators for new ones: the preservationists."

AS FLOOR for the prospect of tourists flocking to Hötensleben, Miss Skoka dismisses the idea with an impatient wave. "No one has paid a penny to come see this thing," she snapped. "The tourists arrive, they let themselves be photographed briefly in front of the wall and 10 minutes later they're gone."

The preservationists already have collected nearly 200,000 marks (\$138,000) from state, local and private sources, much of which has gone to re-erect toppled slabs of masonry and replace anti-tank obstacles.

Mr. Walther says he needs an additional 400,000 marks or so to complete the restoration and keep the wall in good order.

"That's only as much as you need to buy a single-family house," he added. "One of the richest countries in the world should at least be able to afford that much."

But Miss Skoka retorted, "Who is supposed to pay for this? The taxpayer, that's who."

Hötensleben suggests, in microcosm, the ambivalence many Germans still feel about



A bit of the wall left standing in Berlin four years ago bore the plea "Fight for Gorbachev," another reminder that all things pass.

the wall as a historic artifact and the extent to which the country is obliged to save some vestige of it as a symbol of Germany's unhappy partition.

"Such memorials never have friends on the spot where they stand," said Mayor Dieter Buchwald, who supports Mr. Walther's efforts.

"Look at Buchenwald," the former Nazi concentration camp that overshadows the lovely town of Weimar. "The negative image is always tied to the locality. The argument of the average citizen is: Now that we're a unified Germany, why should we hassle with this wall anymore?"

When the Allies agreed after World War II to divide Germany into occupation zones, the demarcation between the Soviet zone in the east and the British zone in the northwest fell along the border separating the states of Saxony-Anhalt and Lower Saxony.

HOTENSLEBEN, a 1,000-year-old town of 2,700 people today, lay a hundred yards inside the eastern sector. Although the roofs and spires of its cousin, Schöningen, were clearly visible two miles to the west, they might as well have been on another planet.

In the years following Germany's surrender, the border became ever more impermeable, the apparatus of division ever more brutal. The hermetic sealing — with barbed wire and guards given shoot-to-kill orders — began in May 1952. At that time, in an operation code-named Action Vermin, three dozen Hötensleben families deemed politically unreliable were forcibly removed from the town and resettled farther from the border.

With the abrupt construction of the Berlin Wall in August 1961, the barriers running along Hötensleben's western perimeter also

were strengthened. The town's proximity to the West and the disenchanted East Germans' penchant for attempting escapes here meant that the wall and its accoutrements were built with special vigor.

Attack dogs and arc lights were added in 1967, an electronic surveillance system was installed in 1972 and all trees and brush were cleared in 1977 to give sharpshooters a broader field of fire from the towers.

It all came tumbling down in November 1989. As jubilant Germans swept back and forth between Hötensleben and Schöningen, people hacked at the barriers with picks and axes. Within months, only a battered carcass remained.

A similar eradication took place elsewhere along the old border. Just a few fragments remain on the inner German border; in Berlin, where the wall once stretched for 100 miles around the western half of the city, only six short stretches still stand.

HUNDREDS of heavy concrete slabs have been shipped as mementos from the Bonn government to such foreign friends as the Ronald Reagan Presidential Library in California. Tens of thousands of other panels were pulverized into 310,000 tons of gravel, for use by road repair crews.

But in Hötensleben, Mr. Walther and other concerned citizens rallied to prevent a total obliteration of the recent past. To fend off souvenir seekers and vandals, the remaining section of the wall was given legal protection as a historic site in 1990. In 1993, some dismantled pieces of the inner wall were reinstalled.

Other preservation groups also have taken action. In Helmstedt, 10 miles to the northwest in the former West Germany, the Border

Zone Museum opened three years ago with artifacts, maps and displays that trace the history of the wall. In Marienburg, just to the north, plans are afoot to refurbish the former border checkpoint on the autobahn between Hannover and Berlin.

BUT proponents of the Hötensleben project see their site as special because it is the only place where the full double-walled awfulness of the barrier system remains intact — a place where removable metal lids still cover the block-house gun ports, where a compass painted on the ceiling helped guards orient themselves in pointing their searchlights at possible escapees in the death strip.

Mayor Buchwald estimated that 150 to 200 tourists visit the site each week, a number he predicted would increase if money was found to advertise. But Mr. Walther claims a higher calling than luring tour buses.

"There aren't really commercial goals, but rather to keep this witness to the past," he said. "It ought not slip into commercialism. We don't want it to become a Disneyland. That wouldn't be appropriate."

A petition signed by more than 400 residents opposed the project and insisted that, at a minimum, it be placed a discreet distance from a row of houses abutting the inner wall. Nothing came of the demand, which would require a complete and expensive reconstruction. Many in Hötensleben seem resigned to living with the edifice that has been part of their lives for so long.

Gerhard Richter, a retired carpenter who drove over to take in the sight, captured the mixed feelings of many Germans.

"There should be remembrance," Mr. Richter allowed, "but not too much."

Lethal Ebola Virus Spreads in Zaire
101 Cases Confirmed by UN; Sharp Increase Is Expected

KIKWIT, Zaire — The outbreak of the deadly Ebola virus in Zaire has entered a new phase, spreading to the community at large, doctors in this city at the center of the epidemic said Wednesday.

"There are people dying in the city," said Dr. Mungala Kipasa, director of Kikwit General Hospital. "People are dying in the community. Now it is showing up among people in the community."

Many of Dr. Mungala's best staff members have been killed by the lethal virus, which is fatal to 9 out of 10 victims. There is no known vaccine or cure.

As Dr. Mungala spoke in front of the hospital, an open truck brought in the body of an Ebola victim from a nearby village. Next to the corpse in the truck was a man dying of the disease.

Dr. Mungala, 42, is struggling to keep the isolation wing of his hospital running with a small band of staff and volunteers.

The World Health Organization in Geneva said Wednesday that its experts in Zaire had registered 101 cases, of whom 77 had died. It said it expected a considerable increase by week's end. Doctors in Kinshasa had put the death toll at 86 Tuesday.

The virus is passed on through contact with blood or bodily fluids and kills by causing uncontrollable bleeding.

Residents in Kikwit said that people had come to associate the hospital with death and were refusing to take sick people there.

"I can't even take a taxi," Dr. Mungala said. "People won't let me in. They are afraid of medical staff."

A doctor died in the hospital Wednesday and was buried shortly afterward.

"It doesn't look like we have reached the plateau yet," said a World Health Organization expert, Oyewale Tomori.

"Maybe in two weeks' time it may begin to level off," he said.

in the hospital's laboratory, where he collects data to trace the source of the virus.

Many local residents and doctors who are actively involved in battling the epidemic said deaths being reported now were occurring in villages in outlying areas of Kikwit, a city of 500,000 people, 500 kilometers (310 miles) from Kinshasa.

Dr. Wawa Tazany, the regional medical inspector, said he led a team of doctors and health workers around outlying villages to collect bodies abandoned by relatives.

He said the fact that people were no longer touching bodies during traditional burial rituals meant that the message on how the disease spreads was getting across.

In Geneva, a WHO spokesman, Thompson Prentice, said: "We now have a total of 101 confirmed cases. We are looking at a significant increase in the known proportions of the epidemic over the next two or three weeks. We will be probably reporting a considerable increase in cases by Friday."

Zaire, meanwhile, began grappling with a new problem: people fleeing from the virus who are trapped in no-man's-land by quarantine roadblocks on the road between Kikwit and the capital.

President Mobutu Sese Seko, visiting the capital for the first time in nine months, expressed sympathy for the refugees.

"Quarantine is not a synonym for prison," he said.

But the authorities in Kinshasa, where no cases have been reported, pressed ahead with efforts to keep the virus out of the city of 5 million.

Canada Detains Traveler

A man suspected of carrying the Ebola virus was detained at Toronto's international airport Wednesday and placed under quarantine. The Associated Press reported from Ottawa. The Immigration Department said the man was arriving from Zaire and was detained under Canadian health laws.

TRAVEL UPDATE

Alitalia Pilots Hold Daylong Strike

ROME (Reuters) — Pilots of Italy's state airline, Alitalia, went ahead with a 24-hour strike on Wednesday after a government mediation attempt failed to end their dispute with employers.

Disruption from the strike, which was due to end at midnight, was minimal. Rome's Leonardo da Vinci airport was virtually deserted, with many travelers switching to alternative means of transport within Italy or to foreign airlines.

Alitalia said 50 percent of its services were unaffected, with all Rome arrivals and departures between 7 A.M. and 10 A.M. and between 6 P.M. and 9 P.M. operating as scheduled. The strike was called by the ANPAC union, one of two representing Alitalia pilots. The unions are in dispute with Alitalia over the airline's restructuring plans and salaries.

SAS Urged to Boycott Goose Liver

STOCKHOLM (AP) — Sweden's agriculture minister is taking her campaign against mistreatment of animals to a higher plane: the airline SAS.

The minister, Margareta Winberg, has urged the Scandinavian Airline System to stop serving pâté de foie gras, or goose liver, because of certain methods of force-feeding the poultry. She suggested serving reindeer meat instead.

"People associate SAS with Scandinavia and it is important that we reinforce the picture of Sweden as a country with good treatment of animals," Mrs. Winberg said in a letter to the SAS chief, Jan Stenberg, the news agency TT reported. "A civilized company such as SAS should boycott goose liver," she said.

A threatened strike by pilots and flight attendants of Slovenia's state-owned Adria Airways was called off on Wednesday after the airline agreed to union demands on working conditions, a union leader said.

Finnair crews will begin using a new electronic detector to catch mobile phone users whose calls could endanger air safety, the company said Wednesday. The pager-like devices, worn by crews on their belts, can detect a mobile phone signal from a distance of 50 meters (165 feet), a Finnair official said.

Amsterdam's Schiphol International Airport is urging all travelers to go to the airport by train Sunday afternoon because of a scheduled protest by environmentalists that could tie up traffic, outside the terminals. (AP)

Air services between Australia and Indonesia are to be increased to meet rapidly rising demand. In Canberra, Transport Minister Laurie Brereton said the increase, of more than a third, was agreed upon in talks between officials of the two countries. "Under the agreement, capacity for both Australian and Indonesian carriers will increase over the next 18 months, by the equivalent of six B747s," Mr. Brereton said. (AP)

Despite UN Assurances, Checks on Travelers From Zaire Are Widened

Compiled by Our Staff From Dispatches

GENEVA — No special measures need to be imposed on air travelers from Zaire to prevent the spread of the deadly Ebola virus, the World Health Organization said Wednesday.

Reacting to restrictions imposed on flights from Zaire by countries in Asia, Europe and the Middle East, the UN health agency said it was unlikely that anybody with Ebola fever would travel from the country.

In a statement, the WHO said: "A very small number of individuals (principally health care workers and journalists) will be returning to their home countries after having been in known contact with Ebola pa-

tients in Zaire. Unless these passengers are obviously ill, no travel restrictions are required." The statement suggested that such people advise their local health officials of their exposure.

The organization said people with Ebola become contagious only when they are already ill and bleeding. "It is highly unlikely that such persons would try to travel on an international flight, and

unlikely that they would be permitted to board if they did try," the WHO said.

"If on board," it said, "they would represent a hazard to members of the crew and any passengers who had direct contact with the patient's blood. Such passengers should be placed as far as is practical from other passengers and crew."

Among those countries that have announced travel restrictions or monitoring of flights are Belgium, Zaire's former colonial power, as well as Egypt, Turkey, the Philippines, Thailand, the United Arab Emirates and Yemen.

Angola has partly closed its border with Zaire; Sudan and the Central African Republic tightened border checks, and South Africa began monitoring travelers.

Thailand said Wednesday that it had stopped issuing visas to people from Zaire as a precaution. Immigration officials have been told to monitor all people arriving from Africa, a Foreign Ministry official said. Anyone found with a visa from Zaire, Kenya or Sudan issued in the last three weeks will be sent to a disease control center for checks.

The Philippines said Tuesday that it would check passengers or animals coming from southern Africa. (Readers, AFP)

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Argentina	001-800-777-1111	Dominican Republic	800-4-0877	India	875	India	176
Armenia	8-10-163	Ecuador	1164-877	Indonesia (all other)	0064-55-877	Indonesia (Bali)	108-01
Australia (payphone)	1-800-531-10	Egypt	999-371	Japan (all other)	0066-55-877	Japan (Tokyo)	108-11
Australia (landline)	1-800-581-877	El Salvador	356-4777	Kenya	0024-131	Kenya	108-11
Austria	022-903-014	Finland	191	Laos	0085-12	Laos	108-11
Bahamas	1-800-289-2111	France	004-810-100-3	Malaysia	0026-13	Malaysia	108-11
Bahrain	800-777	Germany	9024-1-0264	Mexico	0052-14	Mexico	108-11
Barbados	1-800-277-8000	Greece	99-0057	Morocco	0021-14	Morocco	108-11
Belgium	0800-10014	Hong Kong	0130-0013	Netherlands	153-4777	Netherlands	108-11
Bermuda	1-800-423-0877	Hungary	008-001-411	Norway	8-107	Norway	108-11
Bolivia	0800-3233	Iceland	090-1366	Peru	0800-0115	Peru	108-11
Brazil	000-4016	India	195	Philippines	0800-121	Philippines	108-11
British Virgin Islands	1-800-477-8000	Indonesia	121	Poland	800-0016	Poland	108-11
Bulgaria	00-490-1010	Japan	800-1877	Portugal	95-800-877-8000	Portugal	108-11
Canada	1-800-877-8000	Kenya	01	Romania	1-800-877-8000	Romania	108-11
Cayman Islands	1-800-266-4663	Madagascar	004-000-01-877	Russia (all other)	153-4777	Russia (Moscow)	108-11
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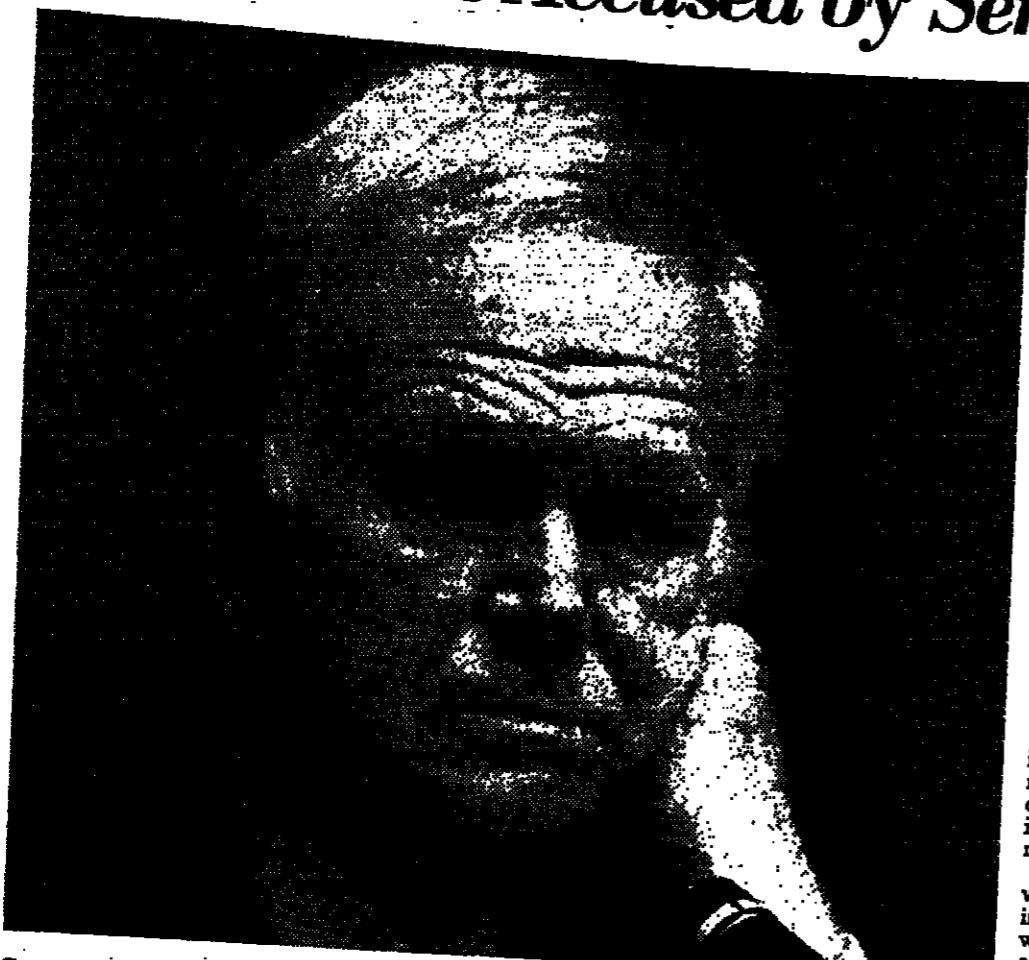
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Packwood Is Accused by Senate Ethics Panel



Senator Bob Packwood listening Wednesday during a meeting of his Finance Committee.

By Adam Clymer
New York Times Service

WASHINGTON — The Senate ethics committee accused Senator Bob Packwood on Wednesday of bringing "discredit upon the United States Senate" through sexual harassment, tampering with evidence, and seeking help from lobbyists to get his wife a job.

After a 30-month inquiry, which the Oregon Republican delayed by going to court in a futile effort to block a subpoena for his diaries, the committee told him he could meet with it to answer its charges or could have hearings to examine them in detail. The committee could also hold hearings even if Mr. Packwood does not want them.

The chairman of the Senate Finance Committee, Mr. Packwood came out from a committee hearing Wednesday morning to talk to reporters, but refused to discuss the substance of the charges, saying, "It is irresponsible for me to comment on them," he said.

Mr. Packwood, who has previously called for public hearings, would not say whether he would seek them now. But he said he welcomed the opportunity "to request an appearance before the committee."

Mr. Packwood has five days to respond to the committee's formal report, the congressional equivalent of an indictment.

While the sexual harassment charges were the most detailed, citing 18 women who have sworn that he made unwelcome advances, the accusation that he altered his diaries may be the most menacing. The committee said there was a substantial ba-

sis to conclude that this was either "improper conduct reflecting upon the Senate and/or possible violations of federal law." It cited an obstruction-of-justice statute.

Committee members have not discussed possible punishments, which range from a letter of reprimand from the committee to votes of censure or even expulsion from the Senate.

Another punishment was urged in Portland, Oregon, by three of the senator's original accusers, Mary Heffernan, Gena Hutton and Gail Byler. They suggested that the Senate oust him as chairman of the Finance Committee, which has the broadest jurisdiction in Congress and deals with taxes, trade, health, unemployment insurance and welfare. "We are asking that Senator Packwood be fired," Ms. Heffernan said at a news conference.

Ms. Heffernan, now a Portland consultant, accused Mr. Packwood of squeezing her arm and kissing her on the mouth while the two were in his Senate office in 1981 or 1982. She was then a lobbyist. Ms. Hutton, a campaign worker in 1980, accused him of kissing her, forcing his tongue in her mouth, and inviting her to his hotel room. Gail Byler accused Mr. Packwood of running his hand up her leg and touching her crotch while she worked as a dining room hostess in Portland in 1970.

Senator Bob Dole of Kansas, the majority leader, declined to answer when asked if Mr. Packwood should step down as chairman until the case was resolved. He became chairman in January after the Republicans captured control of the Senate. His elevation was all but automatic; in the Senate, seniority is an absolute guarantee of chairmanships.

Rumors spread among Republicans that Mr. Packwood might resign his seat in the Senate, as he considered doing more than a year ago.

But one of his closest friends, Senator Alan K. Simpson of Wyoming, scoffed at the idea. "I can't imagine that he would," Mr. Simpson said. "If a guy has been through this much fire, up to the ramps, I can't imagine he wouldn't stick to it. I would," he added. "He has an excellent crew of lawyers who are very able and we'll just see what happens."

Special Inquiry Is Sought on Commerce Chief

The Associated Press

WASHINGTON — Attorney General Janet Reno has asked a special three-judge panel for the appointment of an independent counsel to investigate the business dealings of Commerce Secretary Ronald H. Brown.

In court documents unsealed Wednesday, Ms. Reno said the independent counsel was needed to determine if Mr. Brown violated the law by accepting nearly \$500,000 from a former business partner, Noland Hill, and whether he filed misleading or false disclosure forms.

She added, however, that evidence suggested that Mr. Brown "lacked criminal intent" in failing to disclose some details of his dealings.

President Bill Clinton said Mr. Brown would remain at the helm of the Commerce Department during the investigation.

"I am confident at the conclusion of the process the independent council will find no wrongdoing by Secretary Brown," the president said.

The request brings to four the number of investigations by independent counsels sought for matters involving the Clinton administration.

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House Revises Clean Water Act Environmentalists Attack Bill as 'Regressive'

By Gary Lee
Washington Post Service

WASHINGTON — The House of Representatives has passed a revision of the Clean Water Act that dramatically reduces federal wetlands protection and gives industry broad flexibility to comply with regulations regarding pollution in rivers and other waterways.

With the 240-to-185 vote, the Republican-led House further demonstrated its will to reshape U.S. environmental policy. Thirty-four moderate Republicans broke ranks and voted

against the bill, while 45 conservative Democrats joined the Republican majority in favor.

Representative Bud Shuster, Republican of Pennsylvania, who led the three-day floor fight in favor of the statute, said passage was necessary to remove control of water protection laws from "environmental extremists."

Environmentalists and some lawmakers attacked the bill as a rollback of 25 years of progress in cleaning up the country's lakes and rivers.

"This is the most regressive environmental bill passed by Congress in a generation," said Dawn Martin, a spokesman for the American Oceans Campaign.

Supporters praised the Shuster bill for giving states a stronger role in enforcing anti-pollution laws and easing some of the exorbitant compliance costs imposed by federal regulations.

The vote was a big defeat for the Clinton administration, which had lobbied hard against passage. "This bill will bring more sewage and toxic waste pouring into our rivers and lakes," said Carol M. Browner, Environmental Protection Agency administrator. "This is a gutting of one of our strongest environmental laws."

The bill still faces a fight in the Senate, where support is mixed, and a possible presidential veto. President Bill Clinton has hinted that he would not sign the statute if it passed.

Senator John E. Chafee, Republican of Rhode Island, chairman of the Senate Committee on Environment and Public Works, has said that he strongly supports the existing statute and considers its revision a low priority. But other members of the committee are pushing for major changes.

Originally passed in 1972, the Clean Water Act gave federal authorities the power to impose strict anti-pollution standards on industry and municipal water authorities.

The Shuster bill transfers authority for enforcing those standards to the states. It also creates loopholes that would exempt some industries from the toughest requirements and allow them to discharge higher levels of pollutants into lakes and rivers. And it replaces a requirement that industry pretreat storm water before it runs into waterways with a less stringent state-run program.

The bill also abandons a Clinton administration proposal to clamp down on polluted agricultural and urban runoff. Instead it leaves authority for abating this so-called nonpoint source pollution, considered by environmentalists to be the biggest source of uncontrolled water pollution, to a program critics consider ineffective.

Another controversial provision of the bill defines what constitutes a wetland in a way that EPA officials say will lead to a 50-to-70 percent reduction in the nation's federally protected wetland areas.

Representative Jimmy Hayes, Democrat of Louisiana, a longtime critic of government wetlands policy, said current regulations for defining wetlands were too confusing and onerous for property owners. The bill requires the federal government to compensate landowners for loss in the value of their property caused by wetlands regulations.

Fees Eat Up Clinton Profits

WASHINGTON — Colossal legal fees from the Whitewater affair and Paula C. Jones's sexual-harassment lawsuit have shot holes in the Clinton family balance sheet, nearly wiping out the value of investments that might otherwise have made the president and first lady millionaires.

Bill and Hillary Rodham Clinton have assets worth \$760,000 to \$1,775,000, mostly in three blind trusts, according to a financial-disclosure form released by the White House.

This is a gain from last year, when the Clintons' net worth was listed as \$633,000 to \$1,620,000. But some of the increase can be attributed to the creation of a legal defense fund to help the Clintons pay their legal bills. That fund was worth nearly \$149,000 at the end of the year, the White House said.

The bad news created by the Clintons' legal problems showed up on the other side of the ledger. A year ago, they listed no liabilities on their disclosure form, which is required by federal law. This year, the disclosure form reflected debts of nearly a million dollars, all of it in unpaid legal bills.

The disclosure form showed that the Clintons' assets produced income that totaled \$64,413 to \$145,700. This does not include the president's salary of \$200,000 a year.

'Demagogues' Define Issues

WASHINGTON — Labor Secretary Robert B. Reich says President Clinton's prospects for re-election are clouded by the efforts of "demagogues" to convince Americans that their stagnating incomes are caused by immigration, welfare, big government, affirmative action and free trade.

Mr. Reich said the impact of those polarizing issues, fanned by politicians, is "the one question mark hanging over 1996." He did not mention any politicians by name.

In comments to Los Angeles Times reporters and editors, Mr. Reich said another noneconomic issue, gun control, was a key in explaining the midterm rout of Democrats last year. He said the efforts of the "very, very powerful" National Rifle Association were particularly important in Pennsylvania, Ohio, Michigan and Wisconsin.

Mr. Reich said the most important question to voters in the coming election would be: "How are you going to reverse the decline of real wages and improve benefits?"

(LAT)

Away From Politics

● Abortions among mothers on welfare in New Jersey increased slightly after the state began cutting off benefits for additional children born to welfare mothers, statistics showed. The revelations were deplored by abortion foes, who have argued from the start that caps on welfare benefits would promote abortion, as well as by abortion rights advocates, who condemn the law for reducing welfare mothers' economic choices.

● Gervais Davis, 37, a convict who tried to save his life with a plea for clemency on the Internet, was executed after an unsuccessful

Secret Service Bars NRA

WASHINGTON — The Secret Service, concerned about the National Rifle Association's inflammatory accusations against another Treasury Department agency, has decided to drop the association from participation in its annual shooting competition for law enforcement officials in Maryland.

The decision to bar the rifle association from the annual pistol match in Beltsville, a Washington suburb, came as the gun organization faced criticism from present and former federal officials for calling members of the Bureau of Alcohol, Tobacco and Firearms "jack-booted thugs."

"Due to the public announcements made by the NRA, their invitation to attend our annual pistol match" has been rescinded, said Dave Adams, a Secret Service spokesman.

(WP)

Energy Secretary Digs In

WASHINGTON — Energy Secretary Hazel R. O'Leary has defended her bureaucratic turf, rejecting House Republican proposals to abolish her department while portraying herself as an executive who is saving taxpayer dollars and cutting jobs.

Mrs. O'Leary testified before a House subcommittee for two hours on the department's history, programs and plans.

"I'm not really clear what purposes are to be served with the proposal to abolish as it stands," Mrs. O'Leary said. In response to a question, she estimated about \$3.5 million would be saved if her office and support staff were eliminated, which she called "not very much" in a department requesting a \$17.8 billion budget for next year.

(WP)

Quote / Unquote:

Robert D. Reischauer, who recently stepped down as head of the Congressional Budget Office, on the budget proposal that went before the House on Wednesday: "As a whole, it is well within the bounds of acceptable budgeting, but they certainly stretch things about as far as they can be stretched."

Stanley E. Collender, director of federal budget policy for the accounting firm of Price Waterhouse, also on the budget: "From a purely technical viewpoint, it's a decent budget—very few gimmicks. But the odds are long that they can really meet these deficit targets."

(WP)

One of the basic conveniences of modern living, the supermarket, is significantly harder to find in the nation's poor neighborhoods than in richer ones, according to a study released in Washington. As a result, poor Americans often must shop in small corner stores that charge as much as 40 percent more and offer a meager selection of fresh food.

(WP)

Glenn Harris, 33, the Manhattan gym teacher who disappeared two months ago with a 15-year-old student, has been charged with kidnapping after surrendering in Manhattan.

(NYT)

Clinton Veto Expected on Cuts Package

By Dan Morgan and Ann Devroy
Washington Post Service

WASHINGTON — President Bill Clinton has decided to use his first veto on a \$16.4 billion spending-cuts package that was agreed to by a House-Senate conference, according to White House officials.

The veto would force Congress to reconsider the measure. The package would retroactively rescind funds that were approved in 1994 and earlier but have not yet been spent.

The spending-cuts package, the largest of its kind in recent memory, is not directly related to pending House and Senate budget proposals for eliminating the deficit by 2002. But it would have an immediate impact on programs.

Mr. Clinton has threatened other vetoes, but mostly as a tactic to prompt changes as the legislation makes its way through both houses.

'Puzzled a Bit,' Canadian Leader Goes on Internet

Reuters

VANCOUVER — Prime Minister Jean Chrétien has become the first head of a major nation to go on-line for a live chat on the Internet, officials said.

Mr. Chrétien, in Ottawa, fielded questions from computer users on topics ranging from the budget deficit to hockey for a half-hour via the CompuServe commercial network, which forms part of the Internet worldwide computer system.

Although Vice President Al Gore held a similar forum last year, Mr. Chrétien is the first head of a major national government to take the plunge into virtual politics, according to his office. CompuServe and Maclean's magazine, which sponsored the session.

The Internet links millions of personal computers around the world, allowing users to tap into data bases and exchange messages. Mr. Chrétien, known for his folksy political style, seemed baffled by the technology. "I am delighted to be on this new system. I'm puzzled a bit, because just looking at a computer it's hard to visualize the hundreds of you who are tuned in," he told the audience.

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Welcome To VIENNA INTERNATIONAL AIRPORT

ASIA

Cry of Desperation From Japanese Guru to Lawyer

By T. R. Reid
Washington Post Service

TOKYO — From his police holding cell, Shoko Asahara, the cult guru and accused mass murderer, offered a plaintive cry Wednesday: "But what will happen to me?"

Mr. Asahara, leader of the secretive cult Aum Shinrikyo, or "Aum Supreme Truth," tried to hire a lawyer Wednesday to defend him against a long list of charges that are very likely to be brought against him and dozens of his followers. The police have charged that the guru masterminded the March 20 poison gas attack on the Tokyo subway in which 12 people were killed; he is also the chief suspect in several other major crimes.

Makoto Endo, an attorney, met with Mr. Asahara in a cell at national police headquarters Wednesday but turned down the request for representation, saying he was too busy defending another Aum suspect. When he refused to take the case, Mr. Endo told reporters later, the frightened guru wailed, "But what will happen to me?"

Mr. Asahara is expected to be confined without bail until a trial is held. The police can hold him 22 days before charging him. In Japan's justice system, the police generally will not arrest a suspect until they have virtually certain that they will obtain a conviction. If Mr. Asahara is convicted on murder charges, he would face either life imprisonment or the death penalty.

Mr. Endo said Mr. Asahara protested his innocence Wednesday.

At the same time, according to press reports, the police obtained new evidence linking the Aum cult not only to the Tokyo subway case, in which the rare nerve gas sarin was used, but also to a previous poisoning case in the mountain city of Matsumoto, where seven people died, and to the kidnapping of a 68-year-old notary public this spring.

The police have charged Mr. Asahara and 40 of his followers with murder and attempted murder in the Tokyo subway case. Three more of the accused murderers were captured Wednesday. Thirty of the 41 accused

as killers are now in custody, while 11 are at large.

About 150 Aum members have been jailed on lesser charges, and the police reportedly have had considerable success in recent days in getting some of them to provide details of the subway attack and the other crimes.

According to press reports Wednesday, a top Aum official has confessed that the group kidnapped and killed Kiyoshi Kariya, the notary, in February. Mr. Kariya was evidently targeted by the cult because he had prevented his sister, who was briefly a member of Aum, from giving their family real estate holdings to the cult.

The kidnapping of Mr. Kariya was one of many abductions that Aum Shinrikyo has been accused of over the past few years. The targets were usually disgruntled followers and cult critics.

Another Aum figure has reportedly given the police information that strongly implicates Aum in the Matsumoto poisoning. Others have reportedly tied the cult to other kidnappings here in recent years.

If the recent string of terrorism here were all the work of a single renegade cult, the Japanese could perhaps squelch their fears that their nonviolent, low-crime society is becoming as dangerous as other major nations.

Press reports, evidently based on leaks from the police, shed new light Wednesday night on the arrest Tuesday of Mr. Asahara, the result of a nine-week investigation and a nationwide dragnet involving thousands of police.

The police had gone to the cult's campus on the slopes of Mt. Fuji, where they used a power saw to force open big metal doors of Mr. Asahara's residence. But once inside the building, they had to search through dark passageways and rooms for three hours before they found him, cowering in a coffin-like chamber hidden between two floors of the structure.

Reports here said that Mr. Asahara was lying on the floor of this chamber, wearing his characteristic bright purple robe. He had no food or water, but he did have some pills and about \$117,000 in cash in the box with him.

Sarin Attack Denied

"Absolutely no one from Aum spread sarin," Mr. Endo quoted Mr. Asahara as saying, news services reported. "This is an absolutely false charge."

But reports mounted that Mr. Asahara had ordered crimes that go well beyond the subway attack.

A top cult scientist, Masami Tsuchiya, linked the cult to the nerve gas attack in Matsumoto, according to local media reports that cited the police as their source.

The mass-circulation Yomiuri Shimbun said Hideo Mura, who headed the sect's "science and technology ministry," and who was stabbed to death last month, had told Mr. Tsuchiya that he would "try it in Matsumoto."

The police have not charged anyone in the Matsumoto attack.

Mr. Tsuchiya reportedly has given details of the exact amount of gas he produced at his laboratory in the sect's commune in Kamikishiki, central Japan.

(AP, AFP, Reuters)



BANGLADESH STORM TOLL CLIMBS — Passengers getting out of a rickshaw that overturned amid the flooding in Dhaka on Wednesday. A rainstorm this week has left nearly 100 people dead and 70,000 homeless.

Hanoi Has Helped On MIAs, U.S. Says

But Issue of Full Ties Stays Unresolved

HANOI — A U.S. delegation ended two days of talks here Wednesday, saying it had made progress on the issue of American airman and soldiers missing since the Vietnam War. But the broader question of restoring diplomatic relations between the two countries went unresolved.

The officials said the United States was getting "tangible results" — a criterion set by President Bill Clinton — in efforts to account for 2,205 MIAs. But it was up to the president to judge if the results justified establishing formal relations.

"We are getting results," James Wold, the deputy assistant secretary of defense for POW/MIA affairs, said Monday. He added: "The question of how much and in what form will be made at the highest levels."

The leader of the delegation, Hershel Gober, the deputy secretary of veterans affairs, said: "He alone will make the decision after consulting with his advisers. I can't tell you if that's going to happen, when it's going to happen. Some day it's bound to happen."

The officials moved on to Laos, where they will assess how a search there for 501 MIAs is going.

Hanoi and Washington established liaison offices in each other's capitals in January, and Mr. Clinton has said progress on MIAs is the key to official relations.

Meeting Mr. Clinton's envoys on Monday, the Communist Party general secretary, Do Muoi, restated Hanoi's wish for full ties.

He promised that Vietnam would continue to cooperate on the MIAs and said he "hoped that the two countries' relations will be normalized soon," the official Vietnam News Agency reported.

Mr. Muoi also said Vietnam wanted U.S. security backing.

"We look forward to active contribution on the part of big countries," he said, "among them the United States, to join the Southeast Asian countries in maintaining peace and stability for development cooperation in this region."

A U.S. role as a counterweight to China appears increasingly to interest Vietnam now that it is set to join the Association of South East Asian Nations.

Winston Lord, an assistant secretary of state, said the United States welcomed Vietnam's membership in ASEAN, which comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Mr. Lord is scheduled to meet later this week with the Vietnamese deputy foreign minister, Vu Khoan, when both attend ASEAN talks in Brunei.

The Clinton administration last week expressed concern over the tensions in the South China Sea over the Spratly Islands, and called on the six nations that claim all or part of the archipelago to step up diplomacy.

China criticized the Philippines on Tuesday after Manila took a group of journalists on a tour of some of the islands. Beijing accused the Philippines of encroaching on Chinese sovereignty.

Brunei, Malaysia, Taiwan and Vietnam have also made claims on the Spratlys.

Rain Relieves Drought in Australia

Farmers Are Reeling From the Worst Dry Spell in Decades

Agence France-Press

SYDNEY — Steady rain brought relief to parts of drought-ravaged eastern Australia on Wednesday, but Prime Minister Paul Keating said the federal government would continue to help farmers.

Called the worst in memory in many places, the drought has slashed farm production, income and exports.

"We don't regard the drought as being over simply because these rains have come," Mr. Keating said in Canberra at the annual meeting of the National Farmers' Federation. He said assistance efforts would continue.

The federal government has provided cash support to more than 7,000 farm families and has helped to prop up about 4,000 farm businesses.

Donald McGauchie, president of the farmers' federation, said: "One rain does not break a drought, and we're going to need substantial follow-ups over the next few weeks and the next few months in order to see a return of production to our rural areas."

Richard Amery, the agriculture minister in New South Wales, said about 65 percent of the eastern state still faced drought, even though it had received 30 to 50 millimeters (one to two inches) of rain over the past three days.

He said that the crucial wheat belts in the state's northwest had benefited, but that elsewhere the lack of rain was still hurting cotton and rice growers.

Ian Donaghy, vice-president of the New South Wales Farmers Association, said: "In the south, the rains came just in time to plant canola, which is a major income earner."

The Bureau of Meteorology, in Sydney, described the rain as extensive and said more was on the way.

In Queensland, the minister of primary industries, Ed Casey, said that 36,000 farms — about half the farms in the state — still faced drought.

India's Leader Survives a Major Opposition Assault

By T. R. Reid
Washington Post Service

NEW DELHI — India's Congress (I) Party escaped an opposition assault Wednesday to topple it from power when the speaker in the Parliament's lower chamber stifled a move that some had seen as the most serious challenge yet to the government of Prime Minister P.V. Narasimha Rao.

Opposition legislators trooped out of the House after the speaker, Shivraj Patil, ruled against their demand for a vote on an amendment to the federal budget.

Mr. Patil had earlier over-

ruled a similar request from a dissenting Congress leader, Rangarajan Kumaramangalam, who had wanted to introduce nine amendments.

When Mr. Kumaramangalam's motions were disallowed on technical grounds and Mr. Patil refused to hear an amend-

ment from a Communist legis-

lator, the opposition walked out.

Mr. Kumaramangalam said the 1995-96 budget introduced by Finance Minister Manmohan Singh on March 15 was biased against the poor.

The opposition protest

seemed anticlimactic after the monthlong suspense that had built up around Mr. Kumaramangalam's amendments, which had emerged as a major threat to Mr. Rao.

Ramvilas Paswan, a leader of the centrist Janata Dal Party, said "this government would have been voted out" if Mr. Kumaramangalam's motion had been put to a test. "What has taken place is injustice."

Atal Behari Vajpayee, leader of the largest opposition group, the Hindu Bharatiya Janata Party, said, "The government has escaped by the skin of its teeth."

Mr. Rao, 73, watched seemingly unconcerned as the opposition members walked out.

The Congress (I) Party enjoys a slender majority in the 545-member lower house, and party officials were concerned about possible defections by dissenting legislators.

Mr. Rao's detractors, who have announced plans to hold a rally Friday in New Delhi, claim the backing of 20 to 25 Congress (I) legislators.

Mr. Rao, who is also the Congress (I) president, has been facing a simmering rebellion in the ranks of the 109-year-old party since it was routed in legislative elections in December in his home state of Andhra Pradesh.

Since then, Congress (I) has lost elections in five other major states, prompting complaints by dissidents that Mr. Rao was not capable of leading the party into general elections.

His opponents accuse Mr. Rao of abandoning the interests of the poor and minority Muslims, who have traditionally supported the party.

The opposition defeat was Mr. Rao's second victory this week. On Monday, the Bharatiya Janata Party decided not to force a no-confidence motion against Mr. Rao over his handling of an insurgency in troubled Kashmir. (AP, Reuters)

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EUROPE

Bonn-Paris Ties In Chirac Agenda

New President Hopes to Find Kohl Understanding on Europe

By Joseph Fitchett
International Herald Tribune

PARIS — When President Jacques Chirac meets with Chancellor Helmut Kohl on Thursday, he may discover unexpectedly deep concern about the political maturity in Germany — and therefore greater willingness to accommodate France than German economic power might appear to dictate.

For Mr. Chirac, who took office Wednesday and will not have lost a day before meeting with the leader of France's closest ally, the most urgent foreign question is how far Mr. Kohl will go in allowing for French desires for greater national independence within the European Union.

A looser concept of European unity is part of Mr. Chirac's design for restoring French national self-confidence and easing fears that a supranational bureaucracy in Brussels is forcing painful economic modernization on France.

Even though this change runs counter to German inclinations, Mr. Chirac has privately said that the French government can wield political leverage in Bonn, at least as long as Mr. Kohl is in charge.

He will get some encouragement from a new French book that portrays Mr. Kohl as feeling compelled — to an extent rarely apparent to outsiders — to stay in step with Paris in order to steady his own country.

Publicly, Mr. Kohl never talks of French-German ties in terms of dependence, but the book recounts private discussions with his French counterpart in which he voices concerns, distinctly at odds with his official stance, about an unsettling potential in Germany's political evolution if the special relationship between Bonn and Paris were to deteriorate.

The book — "Verbatim II" — is a fresh installment of the controversial account by Jacques Attali of his years as an aide to François Mitterrand, who stepped down Wednesday as French president.

Highlighting the gap between the assured public tone in Bonn and Mr. Kohl's private concerns, the book quotes him telling Mr. Mitterrand in March 1987 that French-German cooperation was indispensable to offset neutralist tendencies that he said were being promoted by German intellectuals.

At the time, Mr. Kohl consistently rejected worries about risks of neutralism in Germany. Any speculation about the depth and permanence of his country's commitment as a Western partner or any questioning of his countrymen's future international attitudes, at least when raised by foreign commentators, was treated by

Mr. Kohl almost as a national insult.

To Mr. Mitterrand, however, he confided that Germany had "lots of people who want to go in that direction: leftist intellectuals are enthralled by neutralism, teachers are starting to talk this way."

Among influential voices with neutralist tendencies, Mr. Kohl listed Die Zeit, the Hamburg-based weekly newspaper, one of whose chief editors is

NEWS ANALYSIS

Helmut Schmidt, the former Social Democratic chancellor. Neutralism was an issue from 1986 to 1988, when Bonn and Paris were worried about how Europe would stand up to the Soviet Union if U.S. nuclear weapons based on European soil were withdrawn — as they have been since.

Despite the momentous changes in the intervening years, including German reunification and the disintegration of the Soviet Union, many fundamental attitudes that surface in these secret exchanges still ring true. Mr. Kohl's concern about ingrained German political attitudes is voiced in terms of decades, not years.

Mr. Kohl's office said it would not have any comment.

On European integration, the book quotes Mr. Kohl as deliberately overemphasizing to make his point: "For me, the French-German relationship is more important than Europe."

Mr. Kohl explained that European unity had enough momentum for him to concentrate on French ties that he saw as crucial for Germany politically.

That was in 1987, but Mr. Chirac is hoping that the logic holds.

Sarajevo Rocked Again by Shelling Even as Both Sides Agree to Stop

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — Heavy shelling rocked Sarajevo on Wednesday in a second day of fighting for control of a promontory overlooking the city to the south, the United Nations said.

The fighting broke an agreement by both sides to refrain from further offensive action. The agreement was negotiated by UN officials Tuesday after what it described as the worst fighting in the city for two years.

Fighting also raged in northern Bosnia and in the west, where the United Nations reported gains by government forces.

NATO jets could be heard and occasionally seen above Sa-



HOME SWEET HOME — Bernadette Chirac, wife of France's new leader, Jacques Chirac, touring her new home, the Elysée Palace in Paris, just before the formal ceremonies on Wednesday in which Mr. Chirac took over the presidency.

UN Chief Wants to Rethink Role in Bosnia

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — Facing pressure to rethink a paralyzed United Nations peacekeeping mission in Bosnia, Secretary-General Boutros Boutros Ghali says he is determined to keep troops there, but under a redefined mandate.

After meeting with the Security Council to report on the situation, Mr. Boutros Ghali said that public opinion in European nations demanded that the mission be made safer for

their troops. He suggested that one way might be to reduce forces in the six Muslim towns that the United Nations has designated as "safe havens," where the peacekeepers have been taking the most casualties.

The secretary-general said he wanted to avoid a recurrence of the "Somalia syndrome" in which American and other governments backed away from peacekeeping after a frustrating experience.

"In the whole peacekeeping operation, 162 United Nations soldiers have been killed and 1,420 injured or disabled," Mr.

Boutros Ghali said at a news conference. "France, the largest contributor, has sustained the largest number of casualties: 37 dead."

Europeans, he said, "are thinking very seriously to pull out."

The secretary-general said he would ask the Security Council to more clearly define the mandate of the 24,000 UN troops in Bosnia after he submitted a review of the situation, probably early next week. He demanded again that the six "safe areas," if maintained, be fully demilitarized because both the Bosnian government and Bosnian Serb forces have been using them to conduct offensives.

"Everyone agrees that the existing United Nations force is not effective," a U.S. official said this week in Washington. "The status quo is no longer acceptable."

Administration and UN offi-

cial say that the review now being written by peacekeeping experts outlined four possible options for the operation in Bosnia: to withdraw completely; maintain the status quo; re-deploy the troops, possibly reducing them; or bolster them by increasing the use of force, including the wider use of North Atlantic Treaty Organization air power.

But here and in Washington, officials agree that no matter whether one or a combination of these options is finally adopted, little can change in the Bosnia mission until there is a clear signal from the new government in France, whose troops are predominant in the force. The French, with the British, have thus been able to dominate decision-making on the Balkans in the Security Council, a role they may be loath to relinquish by withdrawing.

BRIEFLY EUROPE

EU-Morocco Fish Accord Stalled

BRUSSELS — The European Union and Morocco on Wednesday ended three days of talks on fishing issues without settling their toughest problems and postponing new discussions to June 1, a European Commission spokesman said.

The talks concentrated on the less-controversial areas standing in the way of a fisheries agreement, leaving questions of fish-quota reductions and mandatory unloading of catches in Moroccan ports to the June session, a commission spokesman said. (Reuters)

Europe Parliament Flexes Muscles

STRASBOURG — The European Parliament on Wednesday called for fewer vetoes by EU member states but stopped short of asking that they be abolished altogether.

In a report prepared for next year's intergovernmental conference on the Maastricht treaty, the Parliament also said it wanted more powers in deciding European Union laws and creating an EU defense force.

"It's an excellent position," said Pauline Green, leader of the Socialist Group. "It's not castles in the sky." The report was accepted by a vote of 289 to 103. (Reuters)

Ireland Affirms Backing for EU

STRASBOURG — President Mary Robinson of Ireland restated her country's commitment to European integration Wednesday and urged the European Union to promote peace in Bosnia-Herzegovina and increase aid to Africa as major policy goals. (AFP)

Ethics Inquiry Targets Tory MP

LONDON — Prime Minister John Major faced further political pressure on Wednesday as an inquiry began into a new allegation of questionable practices by a member of the governing party.

Newspapers on Wednesday carried reports alleging that the member under investigation, Sir Jerry Wiggin, had used his position to further outside business interests. Opposition parties demanded a swift investigation into the charges, which came just days after an ethics watchdog committee had called for tougher controls on members of Parliament and cabinet ministers. (Reuters)

Calendar

European Union events scheduled for Thursday:

STRASBOURG: The European Parliament meets to decide on the reform of European institutions: President Jacques Chirac of France and Chancellor Helmut Kohl of Germany meet.

HAVANA: Emma Bonino, commissioner for humanitarian aid, visits Cuba.

AMSTERDAM: Jacques Santer, president of the European Commission, and Neil Kinnock, the commissioner for transport, attend a forum on European transportation networks.

MERSEBURG, Germany: Yves-Thibault de Silguy, commissioner for economic and financial affairs, meets European Affairs Minister Kurt Bohm of Saarland.

WARSAW: Hans van den Broek, commissioner for foreign affairs, visits Poland and will meet Prime Minister Jozef Oleksy and Foreign Minister Wladyslaw Bartoszewski.


Sources: Agence Europe, AFP.


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July 1, 2015

EUROPE

Poland Persists on Iran Tanks

It Will Sell More Than 100, Despite U.S. Stand

By Raymond Bonner
New York Times Service

WARSAW — Despite a vigorous behind-the-scenes campaign by Washington, Poland is going ahead with a deal to sell Iran more than a hundred T-72 tanks, Polish officials and Western diplomats acknowledge.

Thirty-four of the Soviet-designed T-72s, the main battle tank of Russia and the former Soviet Union and allies, have already been delivered, the Polish government notified the United Nations last week in a document not yet made public. The tanks come from Polish Army stocks. U.S. officials have said that they are not expected to significantly change the balance of the power in the Middle East, but Washington is opposed to sales to Iran, which it considers a terrorist state.

Polish officials have countered that it is hypocritical for the United States to object to the sale, given that it is the world's largest arms dealer. But at a time when the Clinton administration is ordering an end to all commercial dealing with Iran, and Poland is pushing hard to get into NATO, Washington and Warsaw have sought to limit the fallout.

In a statement on the deal Tuesday, the U.S. Embassy in Warsaw voiced only indirect criticism.

"We have long encouraged all countries not to engage in arms-related trade with terrorist supporting states like Iran," the statement said. "Poland's

overall record on this matter has been good."

Noting that Foreign Minister Wladyslaw Bartoszewski said several weeks ago that Poland would phase out arms sales to Iran, the U.S. statement said, "We welcome his announcement and appreciate that Poland supports our views."

The Polish Foreign Ministry declined to comment formally, but a senior official in the ministry, speaking on the condition of anonymity, said: "There is no problem between Poland and America concerning this."

Another Polish official, in the National Security Office, said that his government had gone ahead with the deal only after the United States had refused a request from Poland to help it export an equivalent value of arms to markets where the United States was strong.

The National Security office official said that Poland was selling Iran some 100 T-72 tanks, for \$30 million to \$40 million.

The sale appears to be driven more by domestic considerations than by foreign policy. During the Cold War, Poland was one of the 10 largest arms makers in the world. Its markets dried up when the Soviet Union collapsed. At Bumar Labedy, Poland's major tank factory, more than 6,000 workers have been idled, halving the work force.

In recent weeks, Polish arms workers have been demonstrating around the country, demanding that the government do more to increase sales. With a presidential election only a

few months off, President Lech Walscia is anxious to court the politically powerful unions.

Austria Captures Escaped Terrorist

VIENNA — Austrian police captured a Palestinian guerrilla on Wednesday, two hours after he escaped from a prison where he was serving a life sentence for a 1985 attack at Vienna airport, the Interior Ministry said.

The police officers seized Tawfik Ben Chaouali, 35, close to the prison at Garsten, 200 kilometers west of Vienna, at about 1 P.M., a ministry spokesman told the Austrian news agency APA. Police chiefs launched a manhunt after Mr. Chaouali broke out, apparently by forcing open a window in the carpentry workshop.

Mr. Chaouali was jailed for life in 1987 with Mongi Ben Saadaoui for murder and attempted murder in a shooting and grenade attack on the counter at Vienna's Schwechat airport of the Israeli airline El Al on Dec. 27, 1985. Four people were killed, including one gunman, and about 40 were injured in the assault.

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Pope John Paul II in St. Peter's Square for his general audience Wednesday. He turns 75 on Thursday.

Pontiff Leaves Term of Papacy Up to The Boss

VATICAN CITY —

Pope John Paul II dismissed suggestions he should resign, declaring Wednesday that he wanted to serve the Roman Catholic Church until his dying day and that only God could end his reign.

Speaking a day before his 75th birthday, the Pope, who appears to be in good health, said: "I renew before Christ my willingness to serve the Church as long as he wants, abandoning myself completely to his holy will. I leave to Him to decide when and how he wants to relieve me of this service," he told pilgrims at his general audience.

Some critics of the conservative Pope have suggested that he should resign from office on his 75th birthday, as do other bishops. Vatican officials dismiss such suggestions as wishful thinking by the Pope's detractors.

The last Pope to resign was Celestine V in 1296.

Adultery Understandable, Anglican Bishop Says

Compiled by Our Staff From Dispatches

EDINBURGH — Humans have an urge to "propagate as widely as possible," and churches should be more understanding of adultery, an Anglican bishop says.

"God knew when he made us

that he has given us a built-in sex drive to go out and sow our seeds," Bishop Richard Holloway said. "He has given us promiscuous genes."

"I think it would be wrong for the church to condemn people who have followed their in-

stincts," he said in a speech on sex and Christianity, warning that humans were not designed to be faithful and that man was born to have many lovers.

Sexual politics have proved to be a moral minefield for the Anglican Church, Britain's state religion, which faces dwindling congregations in an increasingly secular age. Traditionalists also battled reformists over the ordination of women as priests.

The Archbishop of Canterbury, George Carey, spiritual leader of 70 million Anglicans around the world, distanced himself from the bishop.

"Adultery is a sin," he said. "It is a failure to live up to the kind of standards that we expect from people. We are all weak, fallible people and fully in need of God's forgiveness."

The Christian ethic offers hope and restoration after repentance."

Others were blunter in condemning Bishop Holloway, 61, who has also stirred controversy by suggesting that legalizing drugs and prostitution could help curb the spread of AIDS.

"What I hope my lectures will do is help people understand why they have this polygamous instinct deep in their subconscious, but show them that it is very anti-social to let their instincts rip," he said.

"Everyone knows the hurt a partner in a relationship suffers if the other half lets their genes run wild with someone else," the bishop said. "At the end of the day, the church is about promoting goodwill and kindness to all, and obviously some-

one who is cheating on his partner is not being very kind."

Ann Widdecombe, a Conservative member of Parliament who converted to Roman Catholicism to protest the ordination of women as priests, said: "This is an insult to the many millions of faithful husbands and wives who have not found it necessary to be promiscuous."

Archbishop Carey has clashed before with sexual reformers in the church, warning, for example, that bishops would not be stampeded into changing their policy on homosexuality.

He has dismissed as unfounded any suggestions that the church might soon allow practicing homosexuals to be ordained — priests — or accept same-sex relationships as equal to marriage. (AP, Reuters, AFP)

Summit Arms Talks: a Dud

Russia Yields Minor Points but Defies U.S. on Key Issues

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — President Bill Clinton and his aides were able to make limited progress at last week's Moscow summit meeting toward resolving U.S. disputes with Russia about its work on germ weapons and its adherence to a strategic weapons treaty, but made no headway on a handful of other arms-related disputes, according to U.S. officials.

The outcome of the discussions on May 10 reflects Moscow's willingness to work with Washington on some little-noticed military or security-related matters even while it defies the administration on such high-profile disputes as Russia's contract to sell Iran a nuclear reactor, the officials said.

In an effort to ease U.S. concerns that the Russian military is engaged in illicit work on germ weapons, for example, Moscow agreed to allow U.S. experts to inspect a handful of military-run biological-warfare research facilities in August, the officials said.

The inspections are meant to help Washington learn more about Russia's past production of such weapons and figure out whether it is still using the facilities to conduct germ-weapon research.

Undersecretary of State Lynn E. Davis said this week that "we still have some concerns" about Russia's development and production of germ weapons but are pleased by the inspection accord.

To settle another arms dispute, Prime Minister Viktor S. Chernomyrdin told U.S. officials that Moscow would allow some inspections of portions of its SS-25 ballistic missiles that have been converted to civilian use in launching satellites, the U.S. officials said.

Moscow previously had disputed Washington's claim that the SS-25 inspections were required to ensure that a large number of such mobile missiles are not being secretly held in reserve by the military.

"We're basically satisfied," said John D. Holm, director of the Arms Control and Disarmament Agency.

Moscow also agreed at the summit meeting to negotiate arrangements for reciprocal visits to sites where the two nations store some of the plutonium and highly enriched uranium they have withdrawn from outmoded nuclear weapons. The visits are meant to check that none of the fissile materials is being used again in new bombs.

U.S. officials have said the visits will help resolve Washington's doubts about Russia's claim that it is dismantling 2,000 to 3,000 warheads a year. Washington has maintained thousands of its own outmoded nuclear arms on military standby as a hedge against any Russian dishonesty, the officials said.

Ms. Davis has described this tentative accord as more important than potential reductions in U.S. and Russian nuclear arms below the START-2 treaty ceiling of 3,500 strategic nuclear weapons scheduled to take effect by the year 2003. But officials say the inspection arrangements need to be worked out in detail at a meeting next month.

EUROPEAN TOPICS

The Seine's Fish Get A Breath of Fresh Air

A heavy downpour can mean death for thousands of fish in the Seine, when water filtration plants are overwhelmed and hundreds of millions of cubic meters of water pour into the river, carrying grease and dirt from French streets. An oil film forms on the river's surface, bacteria proliferate and devour dissolved oxygen. Fish are asphyxiated.

Last July 20, fire fighters hauled 20 tons of dead gudgeon and bleak fish out of the river below Paris. In 1992, a harder rain killed 20 times that amount.

The ideal solution would be a far more extensive system of water treatment, but the costs, for now, are prohibitive. In the meantime, reports the newspaper Le Figaro, a clever solution is gradually being put in place.

Huge containers of liquid oxygen are being installed at 12 sites downstream from Paris. Each will be attached to a network of tubes pierced with small holes. If oxygen levels in the river plunge dangerously, pumps at each site will be electronically activated, restoring a livable level of oxygen.

The river is already far cleaner than it was 15 years ago, when all but four species of fish had died out. There are now some 32 species, including trout and a type of catfish that can reach 30 kilograms (66 pounds).

Around Europe

In 1895, when Oscar Wilde appeared at the Old Bailey in London, accused of having had homosexual relations with Lord Alfred Douglas, he refused to speak in his own behalf. Some say it was out of a sense of fatal-

ty, others that he wanted to show his contempt. But Bernard Mouffe, an eminent lawyer and theater figure in Brussels, believes the Dublin-born writer had already said all there was to say on the subject, in his plays and books. In a work titled "The Trial of Oscar Wilde," he has recreated the legal proceedings, interjecting pertinent quotations from the writer's works. Mr. Mouffe will stage his show next week in a suitable setting: the solemn chambers of the Brussels court of appeals. The real trial led to Wilde's serving two years at hard labor, ruining his health; perhaps he'll fare better this time.

The longest word in the German language may be relegated to history books because the Austrian Finance Ministry is about to close the Danube Steam Ship Company. *Donaudampfschiffahrtsgesellschaftskapitän*, or Danube steamship company captain, will become obsolete Monday unless a new owner can be found. The river boat company was the world's largest in the late 19th century, with 1,000 vessels plying the Danube; it now has 10.

The Some-of-Us-Can-Relate Dept.: This 1942 diary entry from James Agate, a London drama critic, is reported in a recent letter to The Times: "After the concert hall at Broadcasting House was built, there was doubt whether the door would admit a concert grand. 'Try it,' said somebody. But the musical director objected on the ground that if his beautiful Bechstein got stuck it would be damaged. So they instructed the carpenter to take measurements and make an exact replica in plywood. This was done, and then they found that they couldn't get the model out of the carpenter's shop."

Brian Knowlton

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PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Case Closed in Japan?

The arrest in Japan of the fugitive guru of the Aum Shinrikyo religious sect, along with many of his followers, was accompanied by confident declarations that the case of the subway gas attack in March has been solved. That may prove true, since police in Japan almost never charge anyone with a crime unless they are certain of a conviction. But the mystery of why even a small number of Japanese on the fringe of society might want to kill innocent people is likely to remain no more comprehensible to the Japanese than the Oklahoma bombing case has been to Americans.

With their own investigation into domestic terrorism sputtering along, Americans may at first be impressed by Japan's apparent success. The speed and discipline of the police mobilization on Tuesday suggests that their chief concern in recent weeks has been to make sure that all those in a position to take revenge would be taken into custody at the same time. Behind the scenes, police were obviously building what they hoped would be a foolproof case before taking any real action.

But whether there is anything for Americans to learn from the Japanese approach is another matter. Japan has no strong tradition of respect for civil liberties. The main Japanese investigative technique for weeks now seems to have been massive surveillance of the sect and the arrest of about 150 sect members on traffic violations and other minor charges unrelated to the gas incident. Those arrested have been kept in custody for weeks in the hope that they would confess or lead investigators to those who carried out the bombing.

It is possible that some were subjected to intense interrogation, without lawyers

present. Human rights advocates have long charged that suspects in police custody in Japan are often stripped of their clothes, bombarded by noise, deprived of sleep, watched incessantly and generally degraded until they confess. Indeed, confessions account for almost all criminal convictions in Japan.

It is hard to imagine similar techniques being used against friends and associates of those accused of the Oklahoma bombing. But in Japan the public's devotion to orderliness and safety, and there is little tolerance for American legal principles. Not long ago, a group of American lawyers held news conferences in Japan to deplore what they said was a violation of Aum's religious freedoms. There was hardly a ripple of reaction in a country proud that it has achieved stability and economic success without the help of lawyers.

Yet police have tried not to abuse the trust of ordinary Japanese and have exercised a certain restraint toward Aum Shinrikyo. Despite their respect for authority, many Japanese fear a return to the authoritarian days of World War II more than random violence by zealots. The police were especially afraid to crack down prematurely on a religious group.

Despite the arrests and seizure of equipment, the Japanese know that there could still be military equipment and tons of poisonous materials hidden in different parts of the country. They will likely still demand an enormous police presence to guard against further attacks and be wary of returning soon to their subways, trains and department stores. They will also never again be complacent about assuring themselves that Japan is immune to the violent pathologies of modern society.

—THE NEW YORK TIMES

The Next Oil Crisis

Think ahead for a moment to the next oil crisis. Sooner or later there is going to be one. How well prepared is the U.S. government? It will have to make crucial decisions fast, and in economic war as in the other kind that requires good intelligence. In the case of oil, that means reliable statistics on the hugely intricate global process of producing and consuming nearly 3 billion gallons of it every day. Those statistics are produced for the government by an obscure agency called the Energy Information Administration, part of the Energy Department. A lot of people in Congress want to abolish the department. The republic could survive without it, but some of its functions are essential and must be preserved. The Energy Information Administration is a good example.

Budgets have to be cut, and it is possible to reduce the EIA budget somewhat. Computing technology is decreasing some of its costs. But these budget cuts will have to be managed carefully to avoid damaging this crucial part of America's economic intelligence system. There were two oil crises in the 1970s, both of which pitched the United States into severe recessions that cost millions of jobs and hundreds of billions of dollars in lost production and income. In the first, there were few oil and energy statistics to guide decisions. In the second, there were plenty of statistics, but they

turned out to be unreliable. In both cases, amid great clouds of confusion, the government made serious mistakes based on bad information that made the ensuing recessions worse than they needed to be. The gasoline shortages in the spring of 1979, and the long lines of desperate motorists at the filling stations, were largely the result of official misjudgments based on inaccurate data.

The Energy Information Administration has spent years of effort and a substantial investment of money getting the numbers right. One of the less careful bills to dismantle the Energy Department would now hand this operation over to the Library of Congress, as though these statistics were of interest merely to historians.

Both of the 1970s crises were caused by the world's over-reliance on exports from a small group of highly unstable countries in the Gulf region. In the 1980s other sources opened up elsewhere, and the world's dependence on the Gulf diminished significantly. But the world's demand for oil is now steadily climbing, and the Energy Department's projections show that the proportion of it coming from the Gulf will shortly begin rising again toward the danger level. That is an important warning. It does not make much sense to respond by dismantling the warning system.

—THE WASHINGTON POST

Do-Nothing Farm Policy

The Clinton administration says that the goal of its farm policy is "do no harm." By that it seems to mean mainly to do no harm to whatever may be the president's re-election chances in the farm states. Congress is in the process of writing a new farm bill. In doing so, it seems likely to be forced by the budget process to reduce existing supports. A sensible cut in these anachronistic devices would constitute good farm and fiscal policy alike. The possibility exists that the programs could be usefully redirected as well—for example, the government could decide to reward farmers less for production and more for conservation.

The administration, however, rather than take the lead at this moment of opportunity, has chosen to lag. It proposes no cuts in the programs; any cuts will be for the Republicans to impose. Nor has it promised a distinct new policy in the form of a particular bill. Rather, its contribution to the congressional deliberations has been to send up a book of "guidance" that suggests some possible policies but fails even to hint at a willingness to fight for them.

Existing farm policy is much criticized, and with cause. The critics are not just outsiders; the most trenchant just now is probably Senate Agriculture Committee Chairman Richard Lugar. The ostensible purpose of the support programs is to

protect mostly small and vulnerable producers—family farmers—against the vagaries of weather and world markets and thereby stabilize both farm income and U.S. food supplies and prices. In fact, the programs tend to subsidize mainly larger producers (at a current cost of about \$10 billion a year) and to waste resources when farmers grow for the government rather than for the market. Environmental critics say the programs encourage a brand of agriculture that harms the land and water as well.

Mr. Lugar would cut the programs back. The House and Senate budget resolutions also envision cutbacks. The administration would let the support levels be, which means that to some extent it happily forfeits its seat at the policy table. The guidance does suggest what might be a sensible way of extracting the government from planting decisions: the phasing in of a system under which farmers would get their support payments no matter what they produced. There would still be a government safety net under qualifying farmers, but it would not be tied to production, and what they grew each year would be up to them.

The guidance, in fact, includes a lot of good ideas. But the budget decision is the key one on which most else depends, and from that the president stands aside.

—THE WASHINGTON POST

How Pakistan Helped Iran, and Clinton Alerted Yeltsin

By Jim Hoagland

WASHINGTON — Iran is aggressively pursuing a nuclear-weapons acquisition blueprint drawn up at least four years ago with the aid of Pakistani officials, Bill Clinton told Boris Yeltsin when they met in Moscow last week.

Clear evidence of Iran's Pakistani connection was a central element in the five-page, single-spaced U.S. intelligence report on Iran's drive for the bomb that President Clinton presented to President Yeltsin on May 9. The report had been translated into Russian the night before so that Mr. Yeltsin could read it in Mr. Clinton's presence.

"We know that Iran has an organized structure whose purpose is the production of nuclear material for nuclear weapons," the report flatly states, before detailing that structure, modeled after Pakistan's successful campaign to buy technology and hardware piece by piece from Western and Asian companies over eight years.

At no point did Mr. Yeltsin challenge the accuracy of the report, which relied heavily on "human" and "signal" — espionage jargon for human intelligence and communications intercepts. Mr. Clinton could not offer Mr. Yeltsin satellite photography or other physical evidence, since Iran has not yet begun construction of an identifiable nuclear weapons site.

Instead the United States shared with the leader of the Kremlin sensitive details of Iranian contacts with foreign companies that sold the equipment the Pakistanis used to develop the components of a nuclear weapon. The summit document also reflected U.S. agents' reports from South Asian capitals.

U.S. officials say they believe Prime Minister Benazir Bhutto's government has halted all nuclear cooperation with Iran since it came to power 19 months ago in Pakistan. The cutoff was one factor in the warm welcome that Mr. Clinton extended to Miss Bhutto in Washington a month ago.

Details of Mr. Clinton's Moscow presentation provided by U.S. officials leave no doubt that Tehran has been seriously trying to build a bomb with outside help, particularly in the past from Pakistan and China. But the compelling detective work done by the United States was overshadowed by the predictable but shortsighted political hubbub over whether the meeting was a "success" or "failure" for Mr. Clinton.

The intelligence was needed to convince not only Mr. Yeltsin. The president's decision to break off trade with

Iran and to push Russia to cancel nuclear sales to Tehran provoked a fierce debate within the administration before the summit, with Secretary of State Warren Christopher leading the charge against other cabinet members who warned against damaging U.S. business interests and diplomacy.

But Mr. Clinton feels he must get a handle on an increasingly dangerous situation in South Asia, where Iran is not the only potential nuclear flash point. India, locked in a bitter dispute with Pakistan over Kashmir, exploded a nuclear device in 1974. Pakistan has been able since 1990 to "make a bomb with a few turns of the screwdriver once it decides to do so," a U.S. official says.

U.S. pressure has deterred Pakistan from completing and testing a nuclear device. But the intelligence summary underlines the potential that Pakistan still has to be a dangerous source of expertise for other Islamic countries interested in the bomb.

Extension of the Nuclear Nonproliferation Treaty last week frees the administration to prod India and Pakistan to provide safeguards against moving to develop and deploy nuclear warheads on the ballistic missiles each now possesses.

An active Pakistani role in helping the Iranians had been suspected for some

time. Iran's nuclear program began 30 years ago when the shah launched a grandiose plan to construct 20 nuclear plants by buying a small U.S.-built research reactor. The shah was overthrown by Islamic fundamentalists in 1979.

The intelligence report contained in the summit document seems to support the thesis of a forthcoming article in *Survival* magazine by Zalmay M. Khalilzad, a senior Defense Department official under George Bush. Mr. Khalilzad writes that Iraq's devastating defeat in Operation Desert Storm in early 1991 convinced other countries, including Iran, that only the possession of nuclear weapons could prevent the United States from doing the same thing to them.

Tehran launched a crash five-year, \$10 billion effort aided by Pakistan's then chief of staff, General Mirza Aslam Beg, and by China, which sold Iran a uranium-enriching calutron in mid-1991, according to current U.S. officials.

Mr. Clinton used this information and more to persuade Mr. Yeltsin to cancel the sale of a gas centrifuge and the training of 10 to 20 Iranian scientists a year in Moscow. Sharing American intelligence with the Kremlin is still an unsettling idea for Americans, and properly so. But in this case it seems to have been worth it.

The Washington Post

Pay Attention as Turkey Seeks Its Way in a Rough Neighborhood

By Thomas L. Friedman

WASHINGTON — Talk about a country in a bad neighborhood. Look at a map. Turkey today provides one-stop shopping to all the troubles of the post-Cold War world.

Turkey is connected geographically, ethnically or politically to the problems of Iraq, Iran, Armenia, Azerbaijan, Bosnia, Cyprus, Greece, Bulgaria, Russia, Tajikistan, Syria and Islamic fundamentalism. All the Turks are missing is a border with Chechnya. No wonder Turkey had four foreign ministers last year. Turkish foreign policy today is a 360-degree nightmare.

It is also more important to America than ever before.

During the Cold War, Turkey was the southern bridge of the NATO alliance. Today it is the epicenter of a new regional system born from the ruins of the Soviet empire—Eurasia, stretching from the Balkans across the Caucasus to the new states of Central Asia. This is a predominantly Muslim, Turkish-speaking

or ethnically Turkish grouping of new states, many of them still groping for a political identity.

A weak Turkey will be consumed by the troubles of this region and project them into Europe. A strong Turkey, tied to the West, can radiate its values (and counter Iran's) to millions of Muslims from Azerbaijan to Kazakhstan—values that are basically democratic and inclined toward moderate Islam and integration in the global economy.

But Turkey's own identity now hangs in the balance. The good news is that the Turks are about to be admitted into the European Union's customs union, which would make them part of the single EU common market. That integration is a vital U.S. interest, because it would solidify anchor Turkey to Western Europe and its secular, democratic, free market systems.

The bad news is that on the eve of this historic opportunity,

the Turks are being sucked back into the snake pit of Middle East politics. Northern Iraq has been a power vacuum ever since the United States banned Saddam Hussein from governing there. That vacuum has been filled partly by the Marxist Kurdish Workers Party, or PKK, which is trying to break off the eastern half of Turkey to create a Kurdish state. The Turks recently mounted a massive incursion into northern Iraq to crush the PKK.

But here's the rub: Many members of the European Parliament, who have a romantic commitment to Kurdish nationalism and despise the Turks because they are Muslims, now want to use Turkey's attack on the PKK as an excuse not to ratify Turkey's accession to the customs union.

The Clinton administration, which played a smart and decisive role in persuading the European Union to link with Turkey, needs to urgently launch a diplomatic offensive to preserve the fruits of its labor. The administration has a sound Turkey policy, but it has a dead-end northern Iraq policy, and unless this is straightened out, Turkey is going to fall out of the EU link right into the abyss of northern Iraq.

I see four options. Option one, preferred by most Turks, is to cut a deal with Saddam to restore his authority over northern Iraq and clamp down on the Kurds there. The United States, which wants to keep Saddam boxed up in Baghdad, opposes this.

Option two, favored by Washington, is for the United States and Turkey to work together with the moderate, but rival, Iraqi Kurdish clans—the Barzani and Talebani—to set up a power structure that can fill the northern Iraq vacuum. (I have my doubts about this. The Iraqi Kurdish leaders are the Hatfields and McCroys, obsessed with their tribal feuds. They don't not have a state for nothing.)

Option three is for Turkish troops to keep going into Iraq, which would mean constant friction with the European Union. Option four is getting someone to offer an exploding cigar to Saddam so he will go "boom" and be replaced by "nice" Iraqi dictators whom the United States would let restore Baghdad's authority over Kurdish northern Iraq.

The bottom line: If Washington believes in option two, it had better get cracking—offer the Turks technical help with sealing their Iraqi border. Send a top U.S. official there to persuade the Iraqi Kurds to set aside their differences, control their territory and keep the PKK out. And remind them that the best way to fight Kurdish separatism is to make Turkish Kurds feel at home, with more freedom of expression and human rights.

If all this fails, start rummaging in the CIA's basement for those exploding Havana cigars.

The New York Times

Exit Mitterrand With Grace, Dramaturge of a Personal Presidency

By William Pfaff

PARIS — François Mitterrand, who quit political life on Wednesday, passing France's presidential powers to Jacques Chirac, has been the most interesting Western political figure of his generation.

The great figures who preceded his generation—Charles de Gaulle, Winston Churchill, Franklin Roosevelt, Konrad Adenauer, Jean Monnet—as well as his younger contemporary, Mikhail Gorbachev, all left their countries fundamentally changed. They won wars, saved national honor, liquidated empires, launched political unions. Mr. Mitterrand left France changed, obviously, but with nothing fun-

damental changed that would not, in one way or the other, have changed without him.

He is an artist-politician, like de Gaulle and Churchill (and Vaclav Havel), a vivid, cultivated and seductive man, conscious of an intellectual, aware of and attentive to history, determined in his days of fading powers to impose his own vision of himself upon the accounts that will be written of his 14 years as France's president.

There is curiously little to write about the presidency, only about the man. He leaves monuments—his *grands travaux*: the hand-

some pyramid at a restored and expanded Louvre; a new national library; a white elephant of an office building in the business district called La Défense whose great arch frames, and mans, the perspective of Napoleon's triumphal arch in central Paris; an unfunctional "people's opera" whose costs, and most of whose ticket prices, are no better than those in the elegant 19th century building it was meant to supplant.

Mr. Mitterrand legitimated the left as a governing coalition, which it had not been since the Popular Front of the 1930s, and by doing so confirmed the legitimacy of the Fifth Republic. That is the principal claim that can be made for his presidency.

Yet it is something that would eventually have happened, given France's historical disposition toward the left. One can only say that it would not have happened when it did, at a moment when it was needed.

He undermined the old left, that of the Communist Party, by embracing the Communists and thereby demonstrating their irrelevance. He cynically promoted the modern French right—the National Front of Jean-Marie Le Pen—as so as to divide his conservative opposition.

He created a modern left, governed with it, and then abandoned it—seemingly with relish, as if he wished to leave ashes. The Socialist Party he united a quarter-century ago is given by factionalism, its "Mitterrandist" leaders plotting against Lionel Jospin, the man who carried the left's colors with unexpected success in the presidential election just completed.

On Monday one of Mr. Mitterrand's former ministers was sentenced to a year in prison for corruption and the suborning of witnesses. Mr. Mitterrand's nominee as leader of the Socialist Party was given a suspended two-year prison sentence for corruption. Other trials are expected of persons associated with the Mitterrand presidency, on charges of corruption, invasion of privacy, abuses of power.

Outside France, the former president repeatedly misadventured. He never understood the Anglo-Saxons. He blundered over the imposition of martial law in Poland and over the coups against Mikhail Gorbachev and Boris Yeltsin in Russia.

He opposed German unification, although he maintained the German alliance and France's commitment to Europe.

He failed to see the significance of the outbreak of aggressive war in Yugoslavia, and bore much responsibility for the European Community's fateful passivity there. He also brought France closer to NATO than it had ever been before.

He went to Berlin on Monday and in an impromptu speech said that he had not come to celebrate the Allied victory in the war, or Germany's defeat, but to acknowledge the poignancy of German deaths in a bad cause. It was a controversial statement, but an evocation of a truth about bad causes—which Frenchmen have also served (and not only they, of course).

It was something that an old and dying man could say, who had himself served in bad causes. His acknowledgment in recent months that he had always been a man of the right, in disguise since the 1960s as a man of the left, evoked the French people's own ambiguous feelings about Vichy and wartime collaboration.

Mr. Mitterrand has been a purely personal achievement, the imposition of a personality upon a society, and of a sensibility upon two decades of the political life of a people.

It is a curious achievement, but an unmistakable one, and he leaves office with the affection and respect of the French, accorded to him despite his failures, or even in denial of them, because of his qualities as a man—his intelligence, his wit, his poetry, his cunning, his determination and courage, his grace and endurance in suffering the cancer that now is killing him.

International Herald Tribune
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A Convincing Plan for U.S. Tax Cuts

By James K. Glassman

WASHINGTON — Critics of the Republican budget in the press, Congress and the White House may be drastically underestimating the power, both political and economic, of those tax cuts the House passed in April. I know I did.

First, a little history. The Republicans won the November congressional elections using a contract that pledged a balanced budget and a tax cut. President Bill Clinton figured they couldn't do it, so his strategy was to sit back and let them take the heat for overreaching. His February budget, adopted for the status quo, which means annual deficits of \$200 billion-plus forever.

Now the Republicans are offering their official budget plans, and—whaddya know?—they show they can indeed balance the budget by their target year, the palindromic 2002. And they can do it by increasing spending in each year by an average of \$45 billion.

But skeptics see two problems. The first is Medicare. Republicans want to increase spending on the program by about 6 percent annually instead of 10 percent. In Washington parlance, this is a "cut" of \$280 billion, so it's not expected to be easy to sell.

The second problem is tax cuts. Pete Domenici, Republican of New Mexico, who heads the Senate Budget Committee, said on Sunday, "We don't have a tax cut until we balance the budget." But his House counterpart, John Kasich, Republican of Ohio, thinks the country can have both at the same time.

The trouble with tax cuts is that they are hard to justify at the same time you are ordering painful limits and some outright reductions in spending. Also, it is likely that a total restructuring of the tax system (a flat tax

or a national sales tax) will be a big issue in next year's presidential election. So why piecemeal changes now?

In the past, I made these same arguments in urging Congress to shelve the tax cuts. But that was before I did something that most journalists (and even politicians) still haven't done: I took a close look at the tax bill.

Now I'm changing my mind. The tax changes are a political plus and an economic plus as well. One Americans understand they're reaped to become very, very enthusiastic. Reluctant politicians risk being trampled.

The two main provisions of the tax bill, H.R. 1215, are these:

(1) Nearly every family with children can reduce its final tax bill by \$500 per child. For example, the average household headed by a married couple has an income of about \$50,000 a year. If that family has three children, its federal income tax bill, according to a study by Price Waterhouse, is \$4,643.

But if H.R. 1215 becomes law, the family's tax bill will be reduced by \$1,500—to \$3,143, a cut of a whopping 32 percent. Such a family with two children would save 20 percent, with four children 47 percent.

(2) Taxes on capital gains will be cut dramatically. This is the part that is meant to encourage investing, and it is a fact that most investing is done by families with higher incomes. But the capital gains cuts in H.R. 1215 are not a replay of the Reagan tax cuts.

Those 1986 cuts lowered the tax rates on income but actually raised the rates on capital gains. As a result, the changes encouraged consumption, but not investment. In fact, the paltry

U.S. savings rate actually fell.

The changes in the tax bill the House passed in April are directly targeted at investment and they are extremely powerful.

The bill does two things. First, it reduces a family's capital gains rate to half of its income tax rate. So, those who are in a 28 percent bracket (taxable income of \$38,000 to \$92,000 for a couple filing jointly) would pay just 14 percent on their stock profits.

Second, the bill indexes capital gains, which means that taxes would be paid on real profits, not on inflation. Indexing can produce huge tax savings, but only for long-term investors. And long-term investors are what the U.S. economy desperately needs. They provide the capital that creates good jobs.

Consider a family with taxable income of \$80,000 a year that buys 200 shares of Wal-Mart at \$25 a share, holds the stock for a year, then sells it for \$30 a share—a profit of \$5,000.

Right now, taxes would be \$1,400 (28 percent of \$5,000). But under H.R. 1215, if inflation over those six years averaged about three percent, the family would pay tax only on its "real" (noninflationary) gain—on \$4,000, rather than on \$5,000. And the rate would be just 14 percent. So the tax bill would be \$560 instead of \$1,400, a reduction of 60 percent.

Would capital gains cuts of that magnitude entice Americans to save and invest rather than to consume? It's a good bet.

The tax changes in H.R. 1215 would mean that the Treasury would receive about \$80 billion less revenue in 2002 than it now expects. That is a shortfall of about 4 percent that would have to be met with extra spending restraint. Is the trade-off worth it? It's more and more clear that the answer is "yes."

The Washington Post

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Koeller Must Go

BERLIN — The *Hamburger Correspondent* says that so soon as Parliament is dispersed and the Kiel celebrations are over, Baron Koeller will have to go. Prince Hohenlohe is very tired of the Minister, and has repeatedly stated his conviction that those who recommended Baron Koeller to the Emperor for the Imperial Home Office did the State bad service. The Emperor is losing faith in his favorite, but there will have to be great pressure brought by the Chancellor before His Majesty goes the length of dismissing him.

1920: Europe to Go Dry

NEW YORK — Mr. "Pussyfoot" Johnson, speaking under the auspices of the Y.M.C.A., has forecast that England will be dry in ten years. He also declared that

one-third of the nations of Europe are nearer prohibition today than was the United States ten years ago. A bill providing for prohibition will be among the first to be presented to the new Irish Parliament, he said.

1945: Sinking 'Island'

LONDON — Lieutenant A. G. Chandler, commander of a British submarine, opened fire on a Japanese "island" and sank it, it was disclosed today (May 17). The island had two palm trees, clusters of hibiscus bushes and other foliage on it, but Chandler examined it through the periscope and saw that it was moving rapidly through a calm sea. He surfaced at 1,000 yards and opened fire. The island proved to be a Japanese landing craft. About 100 Japanese abandoned ship as the entire craft was enveloped in flames.



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INTERNATIONAL

A New Blood Link in the Simpson Case

DNA Expert Ties Male Murder Victim to Stains in Bronco

The Associated Press

LOS ANGELES — The genetic fingerprints of O. J. Simpson and the two people he is accused of killing were found in bloodstains collected from Mr. Simpson's Ford Bronco, a prosecution scientist testified Wednesday.

Three stains lifted from the center console of the Bronco appeared to be mixtures of blood containing the genetic patterns of Mr. Simpson, Nicole Brown Simpson and Ronald L. Goldman, said Gary Sims, a criminal investigator.

Another stain on the console matched the genetic pattern of Mr. Simpson and Mr. Gold-

man, a stain on the carpet on the driver's side showed Mrs. Simpson's genetic pattern, and two other stains had only Mr. Simpson's genetic signature, Mr. Sims said.

His testimony marked the first time anyone has suggested that Mr. Goldman's blood was in the vehicle that prosecutors say Mr. Simpson drove to the condominium where his former wife and her friend were slain.

Mr. Sims, a top scientist from the California Department of Justice's DNA laboratory, also detailed results of DNA tests on blood from a leather glove found on Mr. Simpson's estate, that showed signs of genetic

markers from Mr. Simpson and both victims.

Mr. Sims took the stand for the first time Tuesday, testifying that sophisticated DNA tests on the lining of the glove showed strong signs of the presence of Mr. Goldman's blood.

The witness also suggested that another stain was a mixture of Mr. Goldman's blood and Mrs. Simpson's.

Mr. Sims was the first witness to place both the victims' genetic pattern in blood evidence collected at Mr. Simpson's estate.

The jurors were shown a blowup of the black glove, which is the centerpiece of both the prosecution and defense

cases. Inside the glove's index finger, Mr. Sims said, the blood of Mr. Goldman and Mrs. Simpson appeared to be mixed.

Mr. Sims did not say what percentage of the population also shared the same genetic makeup of Mr. Goldman's blood or of the mixture. But with this type of sophisticated testing, called RFLP, odds are high against anyone else having the same genetic makeup.

Mr. Simpson was excluded as a possible source of blood on the glove or on socks found at his home. But jurors have heard that his blood type was matched to blood drops in his foyer and driveway.

The right-handed glove was found behind a guest house at Mr. Simpson's estate, and his lawyers have argued that it was planted there by a racist detective in a frame-up. The left-handed glove was found near the victims' slashed bodies outside Mrs. Simpson's condominium.

In testifying about the socks, Mr. Sims told jurors that when he examined them under a microscope he found about 10 blood splatters on one and about 19 on the other.

For the kind of testing used by Mr. Sims for these stains, the odds of matches have been somewhat more modest than the one-in-a-million provided by a more precise kind of DNA testing.

But legal analysts said Mr. Sims' testimony complemented the presentation last week by Dr. Robin Cotton, who gave test results showing Mr. Simpson's blood in drops at the crime scene and Mrs. Simpson's blood on the socks.

Mr. Simpson's lawyers have suggested that the police framed him by planting the blood evidence at the crime scene or on the socks in the lab.

But legal analysts said the back-to-back testimony by the DNA scientists has made the conspiracy theory less credible.

Mr. Sims, for instance, raised doubts about the defense's suggestion that blood was planted on the socks by noting that many of the drops were microscopic.

CARS: EU Denounces U.S. Tariffs

Continued from Page 1

proposed U.S. sanctions were justified as "a real sign of frustration that exists after 20 months of negotiations" with Japan over cars.

In Tokyo, Yoshihiro Sakamoto, the deputy trade minister, said Washington was trying to "play a role of prosecutor and judge at the same time."

"That's unfair, I think," he said.

Mr. Sakamoto said Japan was confident that the dispute could be resolved if Washington dropped its demand for Japanese automakers to make fresh so-called voluntary commitments to buy more American car parts.

"The government of Japan simply cannot accept such demands," he said. "This is the real core of the auto issue."

He also indicated that Japan might fight the American sanctions by imposing its own sanctions on American products.

"There is a possibility for us to be forced to present retaliatory measures," he said. "It's not so easy to find a solution in the near future on a bilateral basis, honestly speaking."

WTO officials share that concern. The new WTO chief, Renato Ruggiero, late Tuesday urged Japan and the United States to abide by the organization's rules. WTO sources said that was a clear warning to avoid any settlement that amounts to government-managed trade in cars between the United States and Japan, which could hurt competitors elsewhere.

In accordance with WTO rules, Japan's letter requested consultations with the United States to try to solve the dispute over Japan's huge surplus on trade in cars and car parts.

U.S. officials said consultations could begin this week.

in Geneva. The first prospect for a real breakthrough would appear to be next week, when Mickey Kantor, the U.S. trade representative, and Trade Minister Ryutaro Hashimoto will be in Paris for a meeting of the Organization for Economic Co-operation and Development.

Japan appeared to seek negotiating leverage in its letter by calling the dispute "a case of urgency." In urgent disputes, a country can demand a WTO panel 20 days after seeking consultations, instead of the 60 days for normal disputes. That would allow Japan to request a panel before the Group of Seven summit meeting in mid-June, in Halifax, Nova Scotia.

The U.S. announcement on Tuesday said the sanctions would go into effect Saturday, when the tariffs will be imposed on any of the listed luxury cars arriving in the United States. But the tariffs will be rescinded if the two sides reach agreement by June 28, U.S. officials said, in a bid to press Japan to settle the dispute when Prime Minister Tomichi Murayama meets President Bill Clinton in Halifax.

Japanese officials expressed confidence of winning broad support for its appeal and said consultations might be delayed to allow other WTO members to attend the talks, as trade rules allow. "I don't think it will be to our disadvantage if we have third parties," said Jun Yokota, an official in Japan's mission to the WTO.

Other Geneva officials agreed. "I don't think you'd find any single expert on the World Trade Organization who could find any basis for justifying unilateral sanctions of this kind," said one trade official, who spoke on condition of anonymity.

SNAILS: A Problem for Vietnam

Continued from Page 1

flooding in the Mekong River and in northern Vietnam helped the snails spread even more widely. Their eggs simply travel with the currents.

Government scientists are stumped about how to deal with them. The harsh insecticides that are effective in killing the

snails also tend to kill off every other living thing nearby.

"Some chemicals may kill snails, but they also kill fish," Mr. Tuong said. "We cannot think of using chemicals except where the infestation of snails is very heavy."

For now, scientists are encouraging farmers to place sieve-like bamboo gates in irrigation ditches to catch them before they can enter the fields.

And the government has called for a national campaign to kill the snails wherever they lurk.

"We must mobilize the efforts of all Vietnamese," Mr. Tuong said, "farmers, schoolchildren, soldiers — to find these creatures."

DEAL:

Sale Hits Snag

Continued from Page 1

tor sale might not go through, one official said. "We can't forecast it."

A Western diplomat here said it seemed possible that China was reconsidering the sale, in part because Beijing has a greater interest in American technological cooperation to develop a domestic Chinese nuclear industry.

China's nuclear industry, still in its infancy, is already troubled by a \$100 million loss at the French-built Daya Bay nuclear power station in southern China. The loss has been caused by a three-month shutdown dealing with a design flaw.

China and Russia, whose \$1 billion sale of two larger reactors to Iran is going forward, have questioned Washington's opposition to the sales, arguing that Iran is a member of the Nuclear Nonproliferation Treaty and has opened its nuclear facilities to inspection by the International Atomic Energy Agency.

Some analysts have questioned China's ability to export the 300 megawatt Qinshan-I design that comprises the Iranian contract. The Qinshan prototype, which has been operational since 1991 in southern Zhejiang Province, has experienced a number of technical problems that might make its duplication and transfer to Iran problematical, analysts said.

In addition, the Qinshan model was built with a reactor vessel forged by Mitsubishi Corp. of Japan, and the primary coolant pump was supplied by a German firm. China would either have to make these components itself for the Iran sale or persuade Japan and Germany to cooperate with the Iran sale by providing major components.

Iran Says It Plans 3 Reactors, Not 10

Agence France-Press

TEHRAN — Iran only has plans for three civilian nuclear projects to be carried out with the help of Russia and China, the director of Iran's Atomic Energy Organization, Reza Amrollahi, was quoted as saying Wednesday.

Mr. Amrollahi denied remarks attributed to him in The New York Times on Sunday that Iran planned to build 10 nuclear power plants within the next 20 years.

"For the next 10 years, Iran has no other atomic projects other than the completion of the Bushehr project by Russia and the construction of two reactors by the Chinese," he said, quoted by the official press agency IRNA.

MARK: Exchange-Rate Jitters Threaten European Economic Growth

Continued from Page 1

Italy is reaching its growth limit. Even with the slowdown, he added, Europe should remain far from the risk of recession.

Mr. de Silguy of the European Union said the slowdown in growth over the next year and a half "should be short-lived and it should not put in jeopardy the envisaged medium-term growth path" of about 3.5 percent.

The problem is that such growth would cause only a small reduction in the Union's jobless ranks. The commission forecast that unemployment would fall to just 9.5 percent by the end of 1996, from 10.8 percent now.

"We must continue to push for economic policies with a greater jobs content and tackle the reforms needed to address

structural unemployment," Mr. de Silguy said.

He also forecast that inflation would remain moderate, averaging 3 percent to 3.25 percent this year and next, but he warned countries that have devalued to take strong action to prevent a surge in prices. Inflation in Italy, Spain and Portugal was expected to remain at around 4.5 percent in 1996.

British inflation was forecast to stabilize around the EU average of 3 percent, above the government's target of 1 percent to 2.5 percent. Finland and Sweden also were predicted to have inflation of about 3 percent, while most other EU states, including Germany, France and the Benelux countries, were

seen having inflation rates of 2 percent to 3 percent.

Mr. de Silguy criticized governments for inaction in reducing their deficits. But he said that, with firm action, 10 countries could lower their deficits to less than 3 percent of gross domestic product by 1996 and eight could get their national debts below or at least approaching 60 percent of GDP.

Those are criteria for moving to a single currency under the Maastricht treaty. Denmark, Germany, Ireland, Luxembourg, the Netherlands, Finland and Britain are very likely to meet the deficit target by 1996, he said, while France, Belgium and Austria will need to push hard.

— TOM BUERKLE

CHIRAC:

Inauguration Day

Continued from Page 1

be announced Thursday. Aides to Mr. Juppé said his ministers would include many more women and younger people than in the past.

Besides easing social tensions fanned by anti-immigrant sentiment and an unemployment rate of more than 12 percent, Mr. Chirac and Mr. Juppé, 49, must confront several urgent foreign policy questions in the coming weeks.

The way is the former Yugoslavia stand at the top of the agenda. The fiercest fighting in two years around Sarajevo that erupted in recent days has endangered many of France's 4,800 peacekeeping troops in the region, who represent the largest contingent in the United Nations Protection Force.

Mr. Chirac will make his first trip to Washington as president on June 14 to meet President Bill Clinton in his capacity as the acting head of the European Union. Two days later, Mr. Chirac and Mr. Clinton will join other leaders of the industrial democracies for the annual Group of Seven summit conference in Halifax, Nova Scotia.

To go to his inauguration Wednesday, Mr. Chirac rode in his own 25-year-old car for the short drive to the Elysee Palace from City Hall, where he has served for 18 years as the mayor of Paris. In a symbol of the new populism that he wants to characterize his presidency, Mr. Chirac was accompanied by only one escort car and made a point of stopping at red lights.

Mr. Mitterrand, greeted his successor on the steps of the palace, but did not stay for the ceremony that followed their private conversation and formal passing of power.

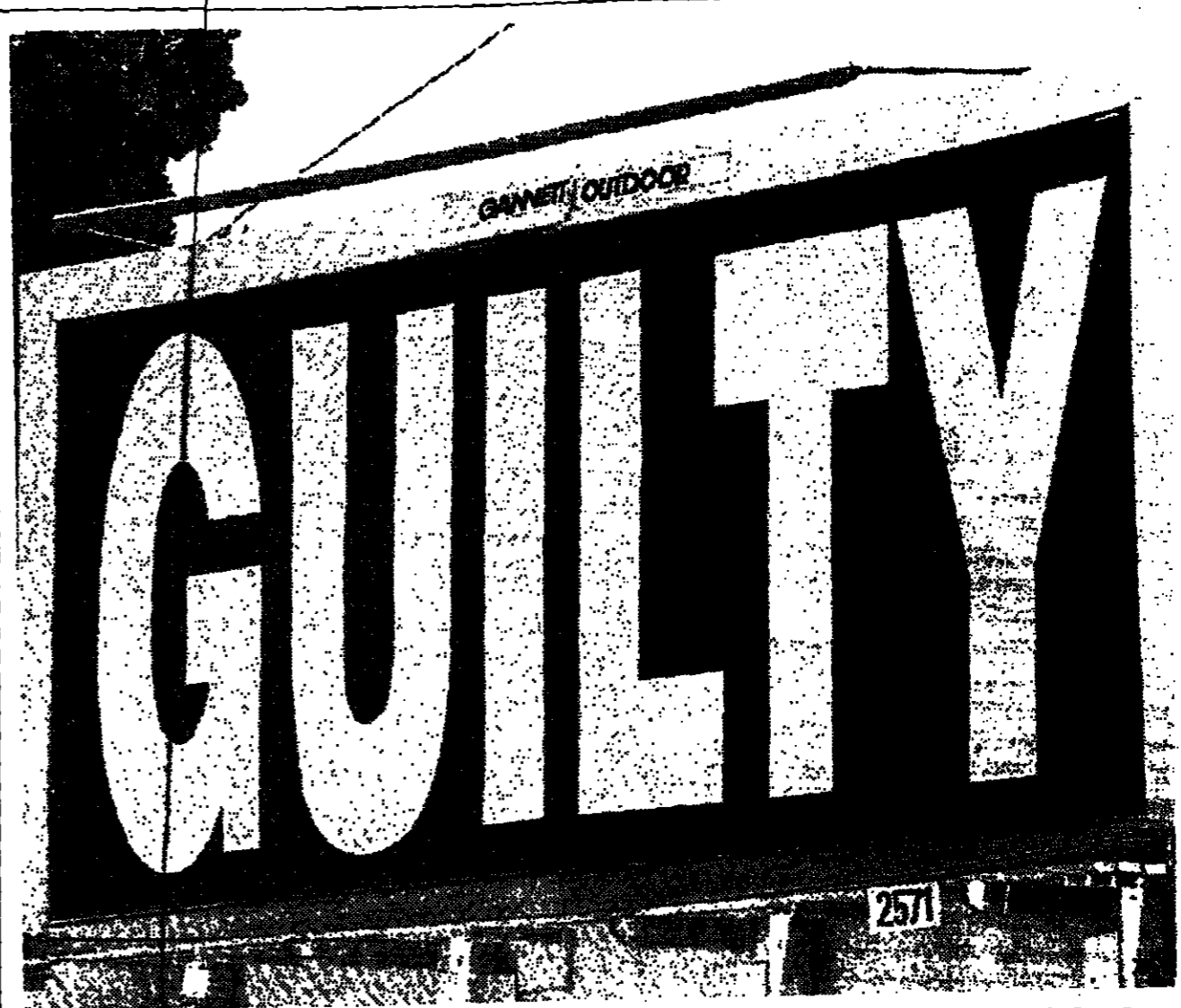
Mr. Mitterrand, 78, still ailing with prostate cancer, issued a written statement as his testament and expressed disdain for "theatrical good-byes."

Fugitive Neo-Nazi Arrested

PADUA, Italy — Marco Furlan, an Italian who was convicted four years ago of killing 11 people in a series of neo-Nazi attacks a decade ago, was arrested Wednesday on Crete, the police in Italy said.

Israeli Soldier Is Killed By Lebanese Guerrillas

The South Lebanon Army militia sources said one of their fighters was also wounded in a second guerrilla raid on a military outpost. The Israeli was the fifth killed in South Lebanon this year by Muslim guerrillas.



A billboard that prompted the Simpson defense to complain. The radio station also put up 'Innocent' billboards.

Lawyer Wants Jury to Steer Clear of Billboards

Los Angeles Times Service

LOS ANGELES — Hundreds of cryptic billboards reading "Guilty" and "Innocent" in large, bold letters have popped up all over town since last week, prompting an O. J. Simpson attorney to complain in court that jurors might see them while being transported around town.

"I have seen only the ones that say 'Guilty,' which is troubling to me, but I understand there are also some that say 'Innocent,'" Johnnie L. Cochran Jr. told Judge Lance A. Ito.

When the jury is taken on an outing, he said, the defense needs to know if the jurors are taken down routes that have signs saying one thing or the other that

could be prejudicial to either side of this case.

Judge Ito told lawyers that, as a policy, he has regularly cautioned sheriff's department bus drivers to check the jury's route before trips. He said he would ask drivers to watch for billboards.

The 200 "Guilty" and 200 "Innocent" signs are a promotion by the Los Angeles talk radio station KFI, which has kept its name off the billboards.

In the second part of the promotion, Wednesday and Thursday, the billboards are reversed to reveal the station's logo and new message, which officials declined to disclose.

"If you want to call it exploitative, yes, it could be regarded as that," said Bill

Lewis, the station marketing manager, who developed the campaign because it is simply "what people are talking about."

The billboards "get people talking, they get people thinking," Mr. Lewis said.

"When we roll out the second message, it will draw people to the billboards more than it would have if we had just put those up cold."

KFI officials said they had not considered the possibility of jurors seeing the boards. Still, they have no plans to take down or alter the signs, saying it is the responsibility of the court to keep jurors from being exposed to messages pertaining to the case.

INTERNATIONAL RECRUITMENT

You will find below a selection of employment offers published in last Monday's International Herald Tribune. For a copy of last Monday's paper, please call Fred Ronan on Paris (1) 41 43 93 91

POSITIONS	COMPANY	CONTACT
Private banker	Merrill Lynch	Lynne M. Holmes Merrill Lynch International Bank Ltd 33 Chester Street London SW1X 7XD England
Consultants	Niger Delta Environmental Survey	The Chairman of the Steering Committee Niger Delta Environmental Survey PO Box 56299 Palomo - Ikoyi, Lagos
Marketing & Sales Manager		Cabinet Juridique Merlotti REF. JHT - 305 15, bd Helvétique CH-1207, Geneva, Switzerland
Project Director Conservation Advisor	Conservation International	Danielle Mihalko Madagascar Program Coordinator Conservation International 1015 18th St. N.W. Ste. 1000, Washington, DC 20036
University Lectures	University of Maryland	University of Maryland Computer Studies Office In Bosseldom 30 69125 Heidelberg Germany

HEALTH/SCIENCE

A Skeptical Look at Pasteur's Genius

By Lawrence K. Altman
New York Times Service

NEW YORK — Louis Pasteur, one of the legendary figures in the history of science, lied about his research, stole ideas from a competitor and was deceitful in ways that would now be regarded as scientific misconduct if not fraud, according to a revisionist history published this month.

None of this would have come to light if not for a long scientific tradition: the laboratory notebook.

"The Private Science of Louis Pasteur," by Dr. Gerald L. Geison of Princeton University, is based on an examination of Pasteur's 102 laboratory notebooks, which have been well preserved for more than a century.

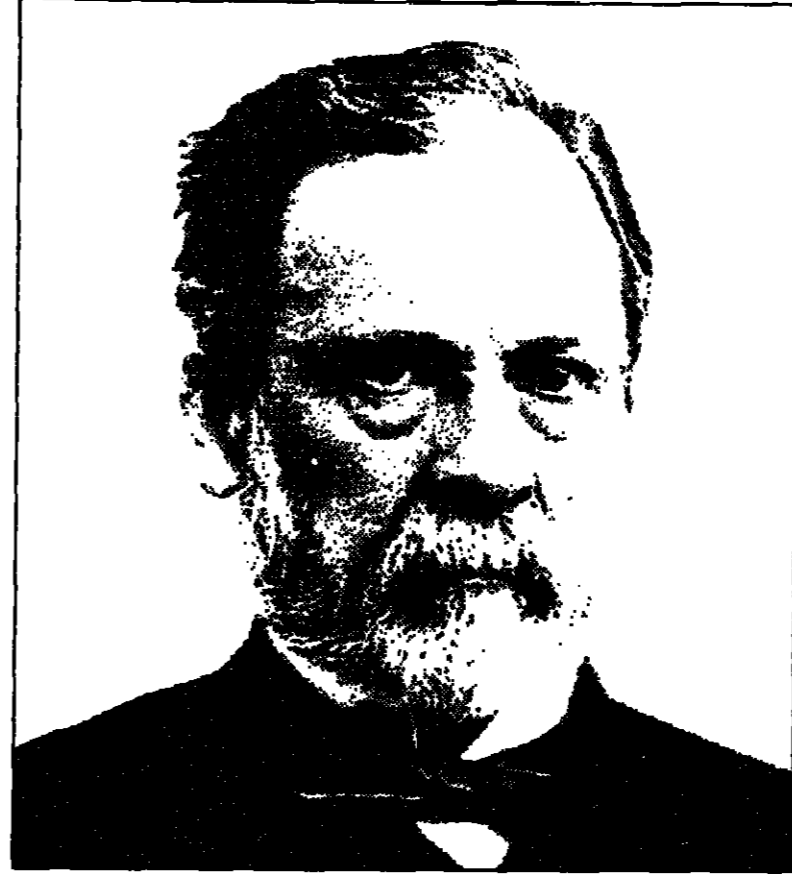
The secretive and ruthless Pasteur ordered that his handwritten notebooks should be withheld from outsiders. But an heir left them to the Bibliothèque Nationale in Paris, where they have been open to scholars since the mid-1970s.

Dr. Geison is one of the few historians of science to base research on laboratory notebooks. In Pasteur's case, the research turned up serious discrepancies between his publications and what he recorded in his notebooks.

A scientific notebook is where a researcher is supposed to record the purpose of each experiment, the substances and procedures used, the findings and the interpretation of the results.

It is one of the oldest traditions in science, although, surprisingly, such notebooks are not required.

In 1881, after having helped to establish the germ theory of fermentation and disease, Pasteur turned to veterinary and human medicine. He tried to reduce the virulence of microbes by exposing them to oxygen in order to make them suitable for vaccination. But in developing a vaccine against anthrax, a bacterial infection that was economically



Louis Pasteur's notebooks sometimes contradict his public statements.

important because it was a major killer of sheep, Pasteur adapted a method he had used a year earlier to produce a vaccine against chicken cholera. To head off competitors, Pasteur had purposely withheld reporting the simple method he used to prepare the chicken cholera vaccine.

Despite reservations about the readiness of his anthrax vaccine for use,

Pasteur impulsively accepted a public challenge to carry out the world's first public trial of any experimental vaccine. Pasteur's assistants injected his formula into 25 sheep, left another 25 unprotected and then injected all 50 with virulent anthrax bacteria. He triumphed: only the vaccinated sheep survived.

But, the notebooks show, Pasteur lied when he suggested publicly that his dra-

matically successful vaccine had been developed by exposing anthrax bacteria to oxygen. In fact he never disclosed in print that apparently to avoid embarrassment, he made his vaccine by secretly relying on a technique used by a rival, Jean-Joseph Toussaint, a veterinarian, that involved a chemical, potassium bichromate.

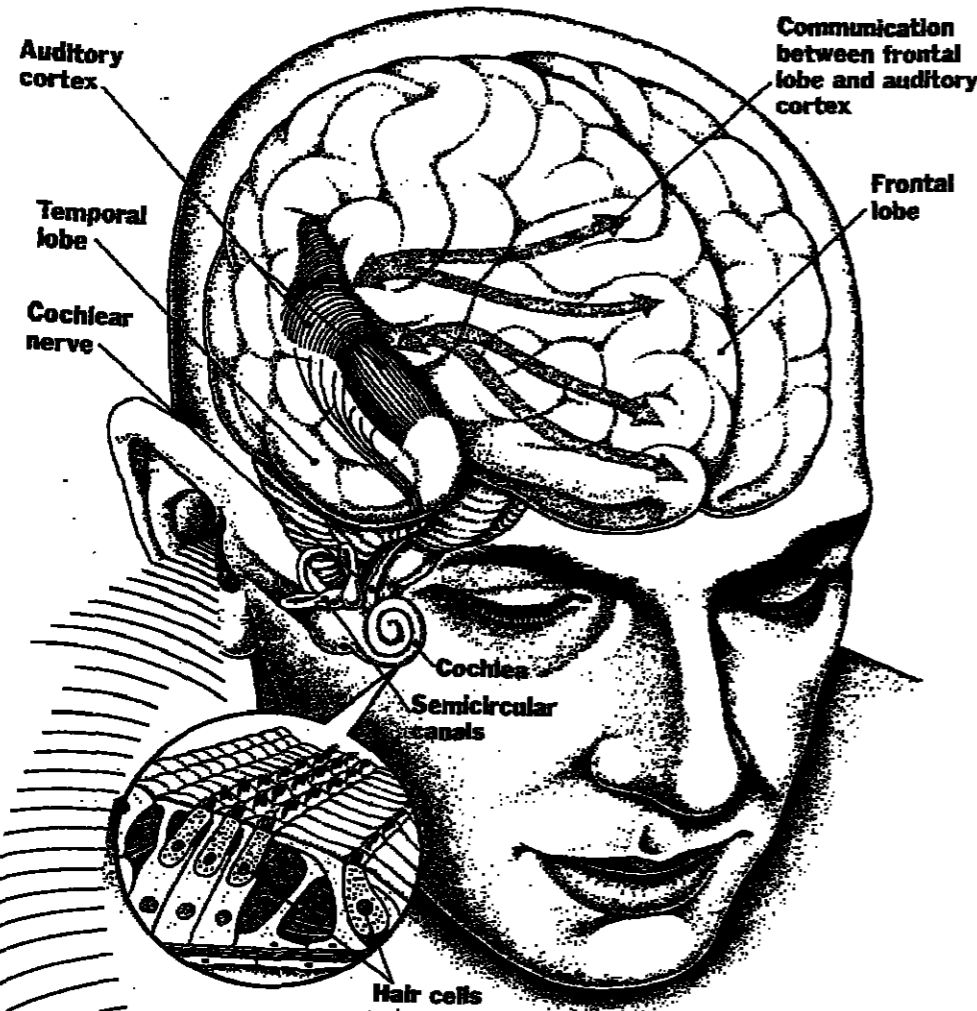
Eventually, Pasteur's oxygen method did produce an anthrax vaccine, but only after he had won a monopoly to produce the vaccine.

PASTEUR'S final triumph was the development of a rabies vaccine. His first experiments on humans were preceded by attempts to cure symptomatic rabies in animals, as he said publicly.

His most famous experiment was on a young boy, Joseph Meister, who had been bitten by a rabid dog and was doomed to death, and whose mother pleaded with Pasteur to treat him. Pasteur reported that he had previously used his rabies vaccine on 50 dogs without a single failure.

Again, the laboratory notebooks show that this account was misleading. Pasteur had tested a vaccine on dogs, but it was prepared by a completely different method than the one he used for the vaccine given to Meister, and he had no conclusive animal results to show that the vaccine worked. But he had guessed right.

Pasteur was a chemist, not a physician, a pioneer working in an era when it was daring to experiment on humans, rather than unethical, as his experiment with the rabies vaccine might be considered today. To conduct this and many of his other famous experiments in the United States today, Pasteur would have to meet many federal requirements, including approval from independent human experimentation committees and the Food and Drug Administration.



Some Brain Pathways for Musical Processing

Sound entering ear is converted into nerve impulses by hair cells in cochlea. Impulses are transmitted into auditory cortex, where specialized regions, especially in right cerebral hemisphere, are thought to analyze musical features like pitch and timbre. These areas are also thought to be important in short-term memory for musical sounds and in musical imagery, or "hearing music in one's head." Information from auditory cortex is transmitted to many other brain areas. Links to and from frontal lobes (arrows) are believed to be key parts of a complex interactive network that permits perceiving, remembering and enjoying music.

Source: Dr. Robert Zatorre/Montreal Neurological Institute and Hospital

Michael Reingold for The New York Times

The Mystery of Music
Mapping How Brain Processes SoundBy Sandra Blakeslee
New York Times Service

NEW YORK — A 61-year-old Canadian businessman, who asked that his name not be used, recently took his wife to a fancy restaurant to celebrate their wedding anniversary. As they sat down, he asked the musicians to play the couple's favorite song, "La Vie en Rose."

When the meal ended, the man turned to his wife and said: "I'm so sorry, darling. They didn't play our song."

She looked back sympathetically and said: "But they did play it. Three times."

Neither of them was really surprised.

Since suffering a stroke 15 years ago, the man has been afflicted with a rare condition called amusia. He cannot recognize any music or songs, however familiar they once were, though his speech and other auditory faculties are mostly normal. He can hear music, tap out the rhythm and dance to it, and even respond to it emotionally. But the music sounds weird and distorted, and he cannot distinguish Beethoven from Chuck Berry.

Patients like this man are helping neuroscientists plumb the mysteries of music in the human brain, raising questions whose answers are as deep and intricate as a Bach cantata.

How is music perceived by the brain, and which cells and circuits come into play?

Has music blossomed in the march of human evolution, becoming a uniquely human trait, or are other animals, such as songbirds, equally musical?

What is the relationship between language and music?

Why does music tap our emotions? What makes some people more musically talented than others? Are musicians' brains wired differently than other people's?

And, finally, a question asked by many parents: How does music influence a developing child's brain?

While many answers are being found with the help of brain imaging machines and experimental techniques, the question of how and why music arose in human evolution remains speculative.

The ability to perceive and enjoy music is an inborn human trait, said Dr. Mark Tramo, a neurobiologist at Harvard Medical School. While many animals use intricate sounds to recognize one another, attract mates and signal danger, humans have developed the richest musical repertoires of any species.

A CROWNING achievement of human evolution is the ability to communicate complex ideas and emotional states, Dr. Tramo said. The human brain has evolved specialized circuits, called feature detectors, for this purpose, which can be used to decode aspects of both speech and music.

For example, the temporal lobes at both sides of the head contain cells that recognize and process pitch, which is the unitary pattern of frequencies that one hears when a musical instrument or the vocal cords are vibrated.

"Pitch is a part of grammar," Dr. Tramo said. "When you ask a question, the pitch rises. When you string individual speech sounds and sequences into sentences to express ideas, you begin to use pitch."

Pitch is also an integral part of music. When

the brain listens to music, Dr. Tramo said, it uses many of the same pitch detectors that are used in decoding spoken language.

The first musical instrument was probably the human voice, Dr. Tramo said. As language flourished, so did music, with cultures inventing different kinds of resonators — flutes, reeds, simple strings. While language was used to transmit knowledge, he said, music was used to promote social cohesion through shared tribal rituals.

Some scientists think that language and music are two sides of the same intellectual coin, a view supported by the anatomical distribution of feature detectors in the human brain. Cellular circuits that recognize language and music are found on both sides of the brain, said Dr. Jamshed Bharucha, a psychologist at Dartmouth College in Hanover, New Hampshire.

But the left hemisphere also contains regions that specialize exclusively in language and the right has some regions that exclusively serve musical perception, he said. In the brains of musical idiot savants — individuals who are talented musicians despite severe mental retardation — the dichotomy is especially pronounced.

Researchers are beginning to model these special music circuits in computer neural net

The answers are as deep and intricate as a Bach cantata but many questions remain.

works and to map them in living brains, Dr. Bharucha said. Some of the biology is known. When sound waves enter the human ear, they stimulate neurons called hair cells that lie on a flat plane. Depending where it is located, each hair cell responds to a characteristic frequency. Those at one end respond to low frequencies, those at the other end to high frequencies.

The signals are then passed up through the brain stem, where information from both ears is integrated to help locate the origin of the sounds. From there they enter the primary auditory cortex, which contains cells that specialize in particular frequencies. Simple sounds are again mapped on neural tissue.

At these lower levels, language and music have shared pathways, Dr. Bharucha said. The question is, at what point do they diverge? Where are the neural circuits for music and which qualities of music do they specialize in recognizing?

"We predict you should find cells that are tuned to familiar chords," Dr. Bharucha said. Some cells may be tuned for octaves, musical fifths and fourths, he said. Others would specialize in detecting patterns of ascending or descending tones.

There even may be cells that are wired together to encode familiar songs and melodies, Dr. Bharucha said.

The more familiar the song, the fewer the neurons needed for this task. The idea is supported by classical experiments in which doctors inserted tiny electrodes into the brains of awake patients. As the active electrode was moved from one tiny clump of cells to another, patients reported hearing different songs, fragments of symphonies or familiar voices.

Avoiding Breast Cancer: Back to the Basics

By Jane E. Brody
New York Times Service

NEW YORK — In the current "take charge of your health" climate, growing numbers of women are making adjustments in how they live in hope of keeping breast cancer at bay.

Motivated by reports in the news media, many have changed to a low-fat diet and begun exercising, practices that are generally health-enhancing. But others who avoid alcohol and menopausal hormones in the belief that they are doing the healthful thing may in some cases be putting themselves at a disadvantage.

Despite hundreds of studies, researchers still do not have much definitive information about the causes of breast cancer and what women might do to prevent it. The most solid evidence involves factors that are either impossible or impractical for many women to do anything about. These include being born into families that have no history of the disease and having babies, preferably before 20 and certainly by 30, and the more babies the better.

Far less certain is the value of various steps that women can readily take. The evidence is at best suggestive and at worst contradictory.

Women worry more about breast cancer than any other health threat, and a recent survey showed that this concern prompts most women to overestimate their chances of developing breast cancer.

Women anxious about breast cancer too often avoid practices that might protect them against far worse threats. Anxiety also prompts many women to over-

react to poorly documented reports about things like breast cancer risks from exposure to pesticides or hormones in meat.

Women would do far better to focus on the factors that are within their control. At the very least, making adjustments in diet and exercise habits can do no harm and will almost certainly reduce risks of a threat to women's health that is statistically far greater: heart disease. In any case, though, the wise woman will start by considering her own chances of developing either heart disease or cancer before deciding what to do.

Since it may never be proved in one's lifetime that certain measures like regular exercise reduce the risk of breast cancer or that other practices like taking postmenopausal hormones promote breast cancer, in many cases decisions about preventive practices must be made on the basis of the best available evidence.

Some population studies have suggested that a diet high in fat, and particularly in highly saturated animal fats, can raise the risk of breast cancer. But evidence from the Mediterranean countries, where consumption of olive oil is high but breast cancer rates are low, indicates that dietary fat in general is not a factor.

While it is true that the risk of breast cancer is very low in Japan, where fat intake is well below levels in the United States, and that it rises to American levels when Japanese women immigrate to this country, many factors other than an increase in dietary fat could account for the change.

Probably much more important is the amount of fruits and vegetables in the diet. Several studies point to the protective value of eating lots of fruits and vegetables, which are rich sources of nutrients and plant chemicals that in laboratory studies impede the

development of cancer. Soybeans and products made from soybeans and green tea have been singled out as especially rich in substances, called phytoestrogens, that may block the tumor-promoting effects of natural estrogens.

Perhaps the most exciting recent news about preventing breast cancer emerged from a study by Dr. Leslie Bernstein of more than 1,000 California women. She found that moderate but regular physical exercise appeared to reduce the risk of breast cancer in premenopausal women by as much as 60 percent.

WHILE the greatest benefit was associated with four hours a week of an activity like jogging, tennis or swimming laps, women who exercised for only two or three hours a week also had a significantly reduced risk.

This was one of several studies suggesting that exercise, particularly if pursued from adolescence through adulthood, protects against breast cancer. Dr. Bernstein, of the University of Southern California, suggested that exercise might counter breast cancer by occasionally blocking ovulation and therefore reducing the output of cancer-stimulating ovarian hormones. Exercise may also curb the amount of body fat, which is a supplemental source of these hormones.

This Janus-faced substance is the focus of a heated dispute. While several studies have pointed to an increase in breast cancer among women who drink any amount of alcohol, when it comes to heart disease, which kills far more women over 55 than breast cancer does, other studies have demonstrated a protective effect of moderate drinking.

Airborne Telescope Checks Out Mercury

By Malcolm W. Browne
New York Times Service

MOUNTAIN VIEW, California — As the world's only flying astronomical telescope nears the end of its long and productive life, it has begun targeting the most dangerous prey it has ever hunted: the mysterious little planet Mercury.

The stakes will be high during the series of observations by the telescope, the Kuiper Airborne Observatory, which began on May 8. Success could yield a wealth of information about the surface mineralogy of Mercury, potentially shedding light on the origin and evolution of the solar system.

But a misstep by the men and women controlling the National Aeronautics and Space Administration telescope and the C-141 military transport plane that carries it could leak a beam of direct sunlight into the telescope. Even a brief burst of sunlight would destroy the telescope's delicate infrared sensors and perhaps even set fire to the plane.

"Up to now," said Dr. Ann L. Sprague of the University of Arizona, the principal scientist for the Mercury project, "no one would have risked the solar damage the Kuiper Observatory could sustain while looking at Mercury. But with only a year left for the observatory, the time has finally come to take a few chances."

Mercury, only 40 percent larger than Earth's Moon, is the closest planet to the Sun, and it is most easily observed by suitable telescopes during daylight hours.

But observation of Mercury is notoriously difficult. To

shield any large telescope from devastating sunlight while focusing on a planet only 21 degrees away from the Sun is extremely difficult. A human being attempting to look at Mercury in the daylight sky would be blinded by the solar glare. Observation of Mercury becomes far more difficult when the telescope is mounted on an airplane bumping and swerving through turbulent air.

Because observation of Mercury presents peculiarly daunting problems, the planet remains the least understood of the four terrestrial planets. Earth, Mars, Venus and Mercury. Although its face displays

moon-like craters, Dr. Sprague said, "Mercury does not have a surface like the Moon but instead has intriguing and unique qualities begging for more detailed study."

The Kuiper's unique telescope system is the only one currently capable of meeting the challenge, Dr. Sprague believes. The telescope, whose glass light-focusing mirror alone weighs 455 pounds (205 kilograms), is mounted on an "air bearing." Compressed air forced through this spherical bearing keeps the telescope from coming into contact with its support, thereby virtually eliminating friction.

Since it does not touch any gears or solid bearings while it is tracking a target, the telescope must be aimed magnetically rather than mechanically. A complex and very rapid computerized feedback system instantly compensates for the airplane's movements, holding the telescope precisely on target.

Dr. Sprague is not interested in Mercury's visual appearance but in a certain band of invisible infrared radiation refracted and reflected by the planet's surface rocks — radiation that cannot pierce the water vapor suffusing Earth's lower atmosphere. Only by flying at 41,000 feet,

above 99 percent of this water vapor barrier, can infrared detectors sensitive to a region of infrared wavelengths between four and nine micrometers function effectively.

This band of infrared wavelengths is important to Dr. Sprague because its spectral patterns, combined with spectral patterns obtained using ground-based telescopes, can reveal subtle differences in the chemical composition of the rocks on Mercury. Until this flight, no telescope in space or on the ground had ever measured Mercury's chemical signature at the infrared wavelengths needed for the job.

On June 12th, the IHT will publish a Special Report on

AVIATION

Among the topics to be covered are:

- Commuter aircraft — shaking up the short-haul industry.
- Strained air-traffic control systems.
- Strong sales of business jets.
- Japan's growing role in the aviation industry.
- Privatization of state-owned airlines.

This report coincides with the Paris Air Show, Le Bourget, June 11-18. For further information, please contact Bill Mahler in Paris at (33-1) 41 43 93 78 or fax (33-1) 41 43 92 13.

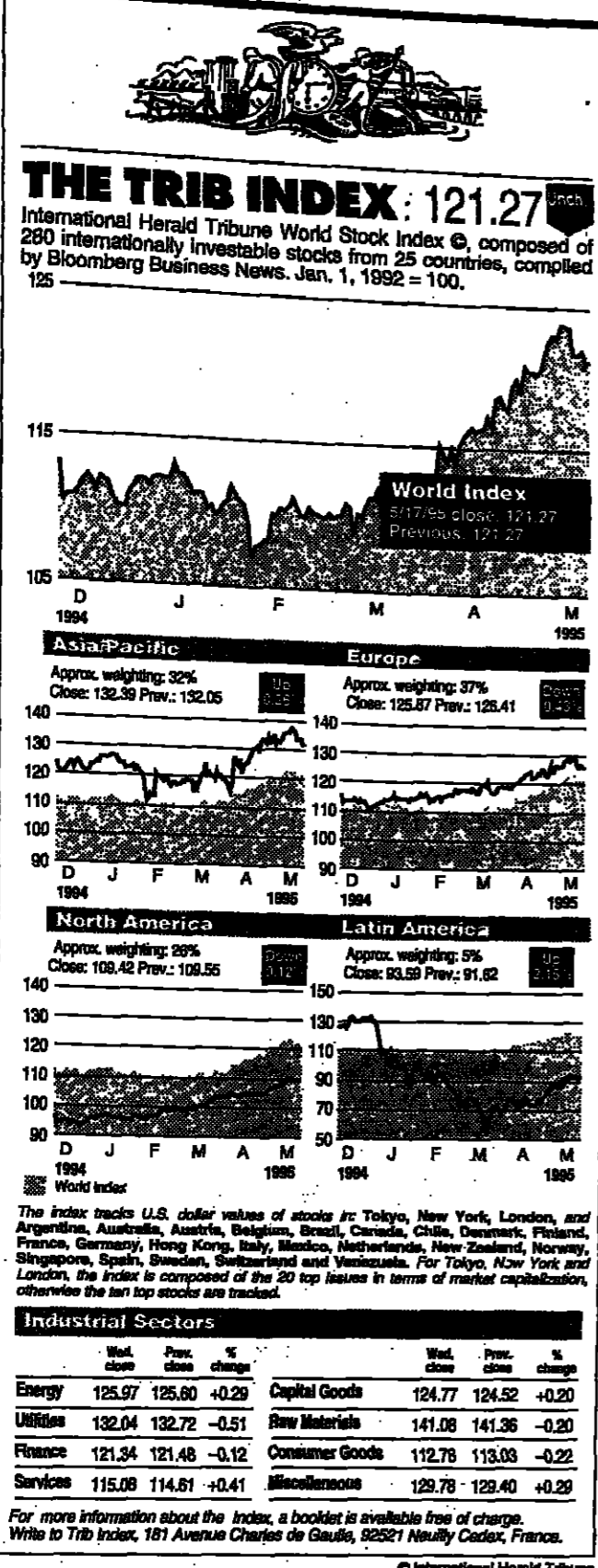
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THE WORLD'S DAILY NEWSPAPER



Seoul Approves Ventures In North

SEOUL — In a major policy change, the government approved Wednesday a pair of multimillion-dollar pilot projects to produce garments and other light-industry goods in North Korea.

The investment approval, the first by South Korea, was seen as an incentive for North Korea to ease its stand and resolve a long-running dispute over its nuclear program.

The decision came two days before U.S. and North Korean officials were to meet in Malaysia to decide how to implement an accord designed to modify North Korea's nuclear program, which is suspected of being used to develop weapons.

In November, South Korea lifted a half-century ban on direct trade and investment in North Korea, but approval of actual investment plans has been delayed pending resolution of the nuclear dispute.

Wednesday's decision authorized Daewoo Corp. to invest up to \$5.1 million to make shirts and blouses, jackets and travel bags in North Korea.

The government also let Kohp Ltd., a trading house, invest up to \$6.2 million in joint-venture plants in North Korea to produce plastic bottles, textiles and garments.

Kohp's plan to invest \$25 million to build two polyester-fiber plants in North Korea was rejected because the projects were too big.

North Korea has adopted joint-venture laws to attract foreign investment and designated a free-trade zone, but no actual foreign investment has been made so far.

Seoul indicated that further South Korean investment would not be made if the nuclear dispute persisted.

Big Blue Is Riding High Can IBM Stay on the Recovery Wave?

By Laurence Zuckerman
New York Times Service

NEW YORK — What a difference a quarter makes. Since reporting surprisingly strong earnings on April 20, stock in International Business Machines Corp. has surged nearly 9 percent.

After pleasantly surprising wary investors for 12 months, could it be that the long IBM nightmare is over?

"IBM is on the verge of going from a cost-cutting story to a genuine momentum story," said James J. Cramer, president of Cramer & Co., a New York money manager. "We are entering year three of what is going to be a legendary turnaround."

Last year was IBM's first profitable one since 1990, as the company earned \$4.92 a share. The current Wall Street consensus is that IBM will earn \$9.19 a share this year and \$10.37 in 1996, according to Zacks Investment Research.

"I don't see why the stock couldn't sell at \$140 or higher sometime next year," said Shelton Swi, vice president at Fred Alger Management Inc. in New York.

Shares in IBM rose 25 cents, to \$94.875, on Wednesday.

A few months ago, Mr. Cramer, who began buying IBM shares when they hit a low of \$41 in August 1993, sold most of his 500,000 shares. At the time, he believed the company had reaped all the benefits of a campaign to cut overhead and would not see much future revenue growth.

But after the latest results — which showed healthy growth in virtually all its businesses, especially in services — he began buying again.

Mr. Cramer is particularly impressed that IBM has amassed more than \$10 billion in cash while spending \$1.4 billion buying back stock.

"This is a company that is not a mainframe company anymore," he said. "It's going to be an ultimate solutions provider. That's a high-margin business."

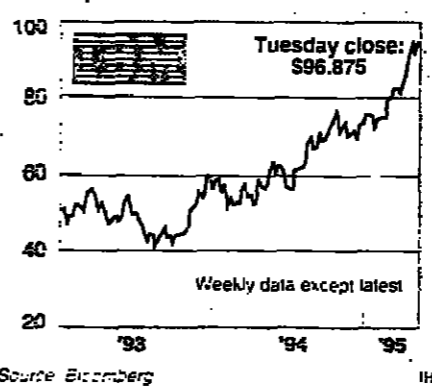
While few argue about the positive outlook for 1995, not everyone is so optimistic about next year. The bears note that IBM has been riding a wave of lucky circumstance.

For example, a third of the company's 18 percent revenue gain in the latest quarter came from currency-exchange rates as the dollar weakened in key markets such as Japan and Germany.

The strong U.S. economy and pent-up demand also helped the company register surprisingly strong sales of its old-style mainframes.

IBM's Comeback

Share price in dollars



If the dollar firms and the economy slows, as many analysts predict, IBM's momentum may slow as well. IBM's increasing dependence on volume businesses such as personal computers, along with growing competition from rival service providers could also erode its profit margins.

IBM is nearing the end of the \$8 billion cost-cutting campaign that has constituted the bulk of its renewed earnings strength.

"By mid-1996, IBM will have eked out the maximum benefit from its cost and expense-cutting efforts in the previous three years," Bob Djurdjevic of Annex Research, an industry consultant based in Phoenix, Arizona, wrote in a recent edition of his newsletter. "To grow its profits again, it will have to start growing its revenues first. That will be easier said than done."

Mr. Djurdjevic estimated IBM's 1995 earnings would be stronger than predicted, but that its 1996 earnings would be much weaker, at \$8.04 a share.

Steve Milunovich, an analyst with Morgan Stanley & Co., said, "My feeling is that IBM will run into trouble again, but it will probably be when the stock is at a higher altitude."

Communications Key to New System

IBM introduced a new version of its OS/2 operating system Wednesday, including several new features to make it easy for users to communicate with other computers. The New York Times reported from New York.

The new software, which is called OS/2 Warp Connect, was getting a glitzy send-off in Grand Central Terminal. It is the latest attempt by IBM to gain ground in its uphill battle against Microsoft Corp. and its popular Windows operating system.

Franc Buffeted By Rumors Of Devaluation

Compiled by Our Staff From Dispatches

PARIS — The French franc tumbled against the Deutsche mark on Wednesday amid speculation that France's new president, Jacques Chirac, might let the currency weaken in order to boost employment, although a government spokeswoman said the talk was "absurd."

Doubts about the conservative leader's commitment to a decade-old policy of linking the franc to the German currency swept through European financial markets even as he was being sworn into office at the Elysee Palace.

The mark rose 3.6 centimes, to 3.5496 francs in Paris, its highest level since before Mr. Chirac's victory in the May 7 election, and close to the record of 3.5880.

Currency dealers said there was speculation in the market that Mr. Chirac would discuss loosening the franc-mark link, seen as the linchpin of a future European single currency, when he meets Chancellor Helmut Kohl of Germany in Strasbourg on Thursday.

Dealers said rumors of a devaluation also were stoked by a report in the afternoon newspaper *Le Monde*, which said that some of Mr. Chirac's advisers advocated a reshuffle of European currency parities that would allow the franc to be weakened against the mark to help France lower its 12.2 percent unemployment rate.

A devaluation of the franc would reduce the cost of French goods in other countries and, in theory at least, return some French workers to the ranks of the unemployed.

But a spokeswoman for Mr. Chirac, Catherine Colonna, said late in the day that the French president had no intention of seeking modifications to the European Monetary System.

Futures Are Suspended In Beijing

BEIJING — Beijing suspended trading in domestic treasury-bond futures on Wednesday, the most active of the futures market's surviving financial instruments.

"China is not yet equipped with conditions for treasury-bond futures trading," the Xinhua news agency quoted the China Securities Regulatory Commission as saying. There was no word on when trading might resume.

Domestic bond futures have been the premier instrument on China's futures markets, but they have suffered as Beijing has banned trading in one after another of the most-active commodities over the past year as they became the target of huge speculation.

Trading in bond futures reached 2.5 trillion yuan (\$302.91 billion) last year and soared to 3 trillion yuan in the first quarter of 1995.

Until the ban is lifted, no exchange-member firms will be allowed to build new positions, and traders will be urged to help all member firms offset their present positions.

INTERNATIONAL MANAGER

KAL's Rival Gains Altitude

By Steven Brull
International Herald Tribune

SEOUL — Nearly two-thirds of South Korean men smoke, so you would expect the country's upstart airline to have conducted a passenger survey before banning cigarettes in January on its long trans-Pacific flights.

Instead, Asiana Airlines Inc. made only a marketing study that concluded that a ban would bolster its "clean image." Thus encouraged, the airline went a step further, outlawing smoking throughout its building and terminating in-flight cigarette sales.

"We're worried about passenger complaints, but to our surprise there's been virtually none," said Park Chan Bup, Asiana's executive vice president and a former heavy smoker.

The emphasis on image goes a long way toward explaining how Asiana gained a foothold in the rapidly growing South Korean market and has become perhaps the best-performing of the so-called second carriers in Asia.

Starting in 1988 with two domestic routes, the airline now boasts a fleet of 33 aircraft and flies to 36 destinations. The airline — owned by Kumho & Co., whose main businesses are tire and chemicals — started making money last year, with a profit of \$18 million.

Like several other countries in Asia, the world's fastest-growing civil-aviation market, South Korea decided a few years ago to allow a private airline to compete with its flag carrier, Korean Airlines. But Asiana, which was authorized in 1987, had to take off into strong head winds — as did Eva Airlines in

Taiwan, Sempati in Indonesia, Bangkok Airways and a host of new carriers in China.

Government restrictions prevented it from competing much on price even though, compared with Korean Airlines, Asiana's route system was smaller and less attractive, its ticketing and marketing infrastructure less developed.

In response, Asiana's chairman, Park Seong Yung, chose to invest heavily in quality and image to lure and keep passengers.

Mr. Park, a former economics professor who studied at Yale University, modeled Asiana's catering services on those of Scandinavian Airlines System, its cockpit management on Lufthansa German Airlines and its computer reservation system on British Airways. He then reached an accord with an American carrier, Northwest Airlines, to share codes and frequent-flyer awards.

Supported by Kumho, Asiana managed to absorb losses of nearly \$300 million in its first five years. Now it can boast the world's youngest fleet of commercial airliners — an average of three years old — and perhaps its best-educated cabin crew: All Asiana flight attendants are graduates of four-year universities.

"They're making all the right moves," said Lily Wu, a regional airlines analyst at Bankers Trust Co. in Hong Kong. "Eventually they'll pose a serious challenge to Korean Airlines."

Korean Airlines' share of South Korean air travelers has fallen from 60 percent in 1988 to 48 percent last year, with the difference taken by Asiana. Asiana also controls one-third of the domestic market, she noted.

Korean Airlines, however, has little to fear. The world's 14th-biggest international airline, it flies to 28 countries and this year celebrated

See AIRLINE, Page 17

U.S. Dispute Gives Japan Reason to Look to Asia

By Michael Richardson
International Herald Tribune

SINGAPORE — America's attempts to force open Japanese markets are likely to encourage the country to seek new trade and economic alliances in Asia, analysts said Wednesday.

In an apparent effort to help Japan distance itself from the United States, Malaysia has signaled that it is prepared to accept Australia as a member of a regional economic group known as the East Asia Economic Caucus.

Originally designed to bring Northeast Asia and Southeast Asia together in a powerful economic association for the first time, the caucus has been slow to get off the ground because of Japan's reluctance to join — based on concerns of offending the United States.

But with Tokyo now facing record sanctions in its trade dispute with Washington over cars and car parts, Malaysia has opened the door to acceptance of Australia in the caucus. Japan has sought to reassure America that the caucus would not be an "Asian-only" lobby working against Western interests.

Reversing his long opposition to membership by economies that were not part of East Asia, Mahathir bin Mohamad, Malaysia's prime minister, said in an interview with The Australian newspaper on Monday

that Australia's eventual entry into the caucus was "a distinct possibility."

He was quoted as saying that as Australia "becomes more Asianized, certainly in terms of geographical relations but also in terms of outlook, there is no reason why they cannot be part of" the caucus.

[On Wednesday, Mr. Mahathir denied that reversing his stand was due to pressure from Japan and said he had told the newspaper that Australia had to be "Asian first" before it could join the caucus, Agence France-Press reported from Kuala Lumpur, quoting Bernama, the Malaysian news agency.

"The Japanese have presumed that because of Japanese pressure on me, I have changed my stand because Japan had insisted that Australia and New Zealand" be in the caucus, he told Malaysian journalists on an official visit to Tokyo.]

Mr. Mahathir has campaigned for the caucus at every opportunity since he proposed it in 1990 to promote free trade and to protect the economic interests of the East Asian region.

Ian Perkin, chief economist at the Hong Kong General Chamber of Commerce, said that if America continued to target Japan with sanctions, that could make Tokyo reconsider its position on the caucus.

In a sign of growing support for the caucus within the Japanese private sector, Keidanren, the Japan Federation of Economic Organizations, said last month that it wanted to see the group formed as soon as possible.

On a visit to Kuala Lumpur, Masaya Miyoshi, Keidanren's president, said the caucus would facilitate the promotion of free trade and the movement of capital within the region.

Keidanren has close ties with the Japanese auto, steel and electric-power industries that have borne the brunt of U.S. market-opening attacks in recent years.

Ronald Bevacqua, a Japan specialist in the Tokyo office of Merrill Lynch & Co., said that, for the moment, Japan had too much at stake in terms of its security and economic well-being "to be seen to break away from the U.S. by joining" the caucus.

But he said that could change if Japan decided over the next few years that Asian markets

had become large enough to outweigh those of the West.

Signs are already multiplying that Japan is shifting its economic and trade focus toward Asia. In recent weeks, Japanese officials and bankers have called for Japan to reduce its dependency on the dollar as a reserve currency.

On Tuesday, Japan's Finance Ministry said the country's direct investment in the rest of Asia soared 47 percent in the year ended March 31, as the surging yen, partly the result of U.S. trade pressure, prompted firms to shift more production overseas.

Asia has overtaken Europe over the past two years to become the second-biggest recipient of Japanese investment, after North America. In 1993, Asia exceeded North America as Japan's premier trading partner for the first time.

Last year, Asia accounted for nearly 40 percent of Japan's trade, with the United States accounting for 30 percent and Western Europe 17 percent.

In a signal of accommodation to its Asian neighbors, Japan hinted this week that it might finally provide rate relief to nations — many of them Asian — whose yen-based debts have increased dramatically as the yen's value has soared. Countries that owe Japan billions of yen in aid loans have been seeking relief for months.

Australia, an ally of the United States, is not considered geographically part of East Asia. But Gareth Evans, its foreign minister, said recently that with trade, investment, migration and tourism drawing Australia closer to the region, it should be considered part of the East Asian sphere of influence.

Washington has warned that if a caucus made up exclusively of East Asian countries was formed, it could cause divisions within APEC, the Asia Pacific Economic Cooperation forum, and weaken American ties with Asia.

APEC, which the United States sees as the key organization for liberalizing trade and investment in the region, has 18 members including America, Canada, Australia and New Zealand as well as the East Asian economies that would be the founding members of the East Asia Economic Caucus.

CURRENCY & INTEREST RATES

Cross Rates									
	U.S.	DM	FF	Yen	Swiss	Other	Other	Other	Other
Australia	1.48	2.24	1.74	1.74	1.74	1.74	1.74	1.74	1.74
Canada	1.00	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
France	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Germany	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Italy	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Japan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
UK	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Eurocurrency Deposits									
	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	10 years
London	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44
Frankfurt	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44
Paris	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44
Other	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44

Key Money Rates									
	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	10 years
London	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44
Frankfurt	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44
Paris	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44
Other	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44

Swatchmobile Gets Smart For Its Name

STUTTGART — The subcompact car to be jointly produced by Mercedes-Benz AG and the maker of Swatch watches will be called Smart and will sell for up to 20,000 Deutsche marks (\$13,800), the companies said Wednesday.

"We take the 'S' from Swatch, the 'M' from Mercedes and the 'A' from Audi," said Helmut Werner, chairman of Mercedes.

The two-seater, informally known as the Swatchmobile, is to be built in France and be launched in early 1998.

The new car will have a choice of environmentally friendly engines, the companies said. Micro Compact Car AG, the venture between Mercedes and SMH — Société Suisse Microélectronique et d'Horlogerie SA, aims to sell 200,000 cars annually after a three-year introduction phase.

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THE AMERICAS



Very briefly:

Bankers Trust Head Plans to Resign

NEW YORK (NYT)—Charles S. Sanford Jr., the chairman of the Bankers Trust New York Corp., said Tuesday that he would step down next year.

"I will have been here for 35 years," said Mr. Sanford. "Maybe it's time to find something else to do, although I don't know what it is."

Since becoming chairman in 1987, he transformed what had been a second-tier commercial bank into a leader in finance.

Analysts said the timing of the announcement was unexpected, given Mr. Sanford's desire to lead the company through recent difficulties stemming from its derivatives business.

In December, Bankers Trust agreed to pay the Securities and Exchange Commission \$10 million to settle charges related to the sale of derivatives to Gibson Greetings Inc.

CRSS Inc., a construction company, has agreed to be acquired by American Tractebel Corp., a unit of Powerfin SA of Belgium, through a cash tender offer of \$14.50 per share, or \$205.9 million.

Michael Ortiz, a talent agent in Hollywood, is seeking a \$200 million stake in MCA Inc. in return for running the entertainment company for Seagram Co., which bought 80 percent in MCA for \$5.7 billion.

McClatchy Newspapers Inc., a California-based newspaper chain, is buying The News & Observer of Raleigh, North Carolina, from the Daniels family, the paper's owners for more than a century. The deal is valued at about \$373 million.

Turner Broadcasting System Inc. has received permission to broadcast its CNN International news-channel across India, reports said.

Strong Sales Drive Dell's Profit Up

Compiled by Our Staff From Dispatches

AUSTIN, Texas — Dell Computer Corp. posted on Wednesday a sharp rise in profit as sales soared and costs stayed at low levels.

Dell earned \$61.7 million, or \$1.11 per share, for the three months that ended April 30. A year earlier, the company reported a profit of \$19 million, or 42 cents per share. Profit for the year-to-date period was hit when Dell took a \$26.3 million charge linked to derivatives and investments.

Sales for the latest period rose 49 percent from a year ago, to \$1.14 billion. Stock in Dell fell \$1.375, to \$56.125. The stock had risen 30 percent since April 10, and analysts said some investors wanted to take profit.

"People are being a little bit cautious going forward," said Stephen Dube, an analyst with Wasserstein Perella Securities. "But basically they had a very good quarter."

Michael S. Dell, chief executive of the

computer maker, said the sales gains in the quarter were propelled by the company's strategic focus on notebook computers, geographic expansion and the transition to Pentium microprocessors, the latest design from Intel Corp.

"Our momentum is very good, we've executed very well on the notebook and Pentium front, we have strong global demand, we've exercised strong cost controls," he said.

Operating income increased 46 percent during the quarter, while operating expenses as a percentage of sales declined to 13.1 percent, from 14.3 percent, the company said.

Dell said it had strong sales gains overseas. European sales rose 50 percent, to \$384.4 million, led by increases in Britain, France and Germany.

Notebook computers accounted for \$173 million of first-quarter revenue, or 17 percent. Pentium machines accounted for \$539 million, or 55 percent of revenue.

(AP, Bloomberg)

Campbell Soup Posts Record Profit

Campbell Soup Co. said Wednesday that strong soup sales and acquisitions helped propel its earnings to record levels for the third quarter ended April 30, the Associated Press reported from Camden, New Jersey.

The company said its earnings jumped 7 percent for the quarter, to \$127 million, up from \$119 million a year ago.

Sales for the quarter rose 16 percent, to \$1.74 billion.

For the nine-month period, Campbell's profit rose 13 percent, to \$350 million. Sales edged up to \$5.65 billion, from \$5.22 billion a year ago.

Key acquisitions included Pace Foods Ltd., the largest U.S. manufacturer of Mexican salsas, and Fresh Start Bakeries. Fresh Start is a leading supplier of bread and rolls to fast-food restaurants.

The Pace and Fresh Start acquisitions accounted for 60 percent of domestic sales growth, the company said.

Microchips Rise, But Blue Chips Fall

Compiled by Our Staff From Dispatches

NEW YORK — The Dow Jones industrial average fell Wednesday as investors shifted money from large manufacturers into smaller, technology-related issues.

The strength of the technology sector helped the Nasdaq

U.S. Stocks

combined composite index move higher.

Blue-chip issues were seeing "a little profit-taking — normal and gentle profit-taking," said Alfred E. Goldman, vice president at A.G. Edwards & Sons Inc. in St. Louis.

The Dow fell 12.45 points, to 4,409.46. Declining issues outnumbered advancing ones on the New York Stock Exchange by a 6-to-5 ratio.

But the Nasdaq composite index, which tracks many technology shares, rose 2.51 points, to \$776.

The bond market slipped. The price of the benchmark 30-year Treasury bond fell 1/32, to 109 19/32; its yield held steady at 6.86 percent.

"Relative to the Olympian-size rally we've had, the market has handled this profit-taking very well," Mr. Goldman said.

Even with Wednesday's drop, the Dow has risen 15 percent since the beginning of the year.

The Semiconductor Industry Association said it expected the worldwide market for computer chips to increase 39.7 percent, to \$142.3 billion, in 1995. The association had previously forecast growth of 15 percent.

That report helped semiconductor stocks.

Applied Materials, the most active Nasdaq stock, rose 11 3/4, to 80 1/4. The company, which makes equipment used to manufacture computer chips, said its second-quarter net profit rose 70 percent on a 64 percent rise in revenue.

Intel, the second-most-active issue on the Nasdaq system, rose 1 1/2, to 110 1/2.

Compaq Computer stock, the most active issue on the New York Stock Exchange, rose 1/4 to 40 after the company said it would cut prices on its Compaq 486 notebook computers by as much as 19 percent.

Shares of AG Associates, an integrated-circuits equipment maker, rose 3/4 to 10 1/4 on the second day of trading after an initial public offering of 1.8 million shares priced at \$11.

Stock in America Online fell 3 to 35 1/2. The on-line service provider's stock has fallen 14 percent since NBC, the TV broadcaster owned by General Electric, said it would withdraw from the service in favor of Microsoft's on-line network.

(Bloomberg, AP)

World Bank Plans Advertising Drive

By Stuart Elliott

New York Times Service

NEW YORK — The World Bank, for the first time since its founding in 1945, is becoming an advertiser.

Bank executives plan to begin a campaign this autumn to improve the bank's public standing, along the lines of a corporate image-building effort.

In the meantime, print advertisements answering critics of the Washington-based development lending institution are appearing this week in newspapers.

The campaign planned for later in the year has the ambitious goal of burnishing the image of the bank at a critical point in its history and improving the perception of its policies among so-called decision makers and opinion leaders.

The bank is scrambling to shift its focus as it comes under fire from environmentalists for its role in large-scale development projects in the Third World as well as from politicians eager to slash public spending.

There is even a coalition of advocacy groups agitating under the banner "50 Years Is Enough," hoping to deliver the

bank from what they deem a lengthy mid-life crisis.

"This is a major, major departure on all sorts of fronts," said Mark Malloch Brown, who joined the World Bank in September in the new position of external affairs director. "For many years the bank has been trapped in this 'development club,' talking just to economists and non-governmental organizations."

"Now we need a message that mainstreams the bank and makes it relevant again to where the world is going."

CURRENCY: The Franc Tumbles Against the Deutsche Mark in Paris on Speculation Over Chirac's Policies

Continued from Page 13

meanwhile, rose to 5.1150 French francs in New York from 5.1080 francs on Tuesday.

Malcolm Barr, an analyst at Chemical Bank in London, said rumors that Mr. Chirac was considering a devaluation were "unfounded," but that certain trading views of Mr. Kohl as an indication that the new French leader wanted to change the franc's parity.

"A lot of dealers have a natural inclination to a weak franc," said Mr. Barr, adding that the market was "very suspicious of

Mr. Chirac" who emphasized the struggle against unemployment during his campaign more than the need for maintaining a strong franc. Mr. Chirac on Wednesday affirmed immediately after taking office that

Foreign Exchange

"employment will be my concern at every moment."

Indeed, some traders said they were disappointed that Mr. Chirac made no reference to defending the franc in his inaugural address, along with the pledge to battle unemployment.

However, there was no suggestion among political sources that Mr. Chirac would take the advice of advisers who favored a monetary realignment, nor was there any confirmation that he would even raise currency policy during his meeting with Mr. Kohl.

Alain Juppé, named as France's new prime minister by Mr. Chirac late Wednesday, has stressed his commitment to a stable currency, as has Alain Madelin, a candidate for the post of finance minister.

(AFP, Reuters, Bloomberg)

Dollar Little Changed

The dollar was steady on Wednesday, recovering from an early fall against the Deutsche mark that stemmed from worries about whether the new French government would maintain a strong franc policy, Bloomberg Business News reported from New York.

"The comments that devaluation isn't in the cards helped the dollar come back," said Hilary Waxman, manager of currency trading at Bank Leumi Trust Co. in New York.

Marc Chandler, a currency strategist at Deutsche Bank in

New York, added: "There is skepticism about Chirac's commitment to franc fort."

In New York, the dollar closed at 1.4450 Deutsche marks, up from 1.4445 at the close on Tuesday, and at 86.75 yen, up from 86.60 yen.

The dollar fell to 1.2055 Swiss francs from 1.2080 francs, and the pound rose to \$1.5700 from \$1.5639.

Mr. Chandler said that the dollar would resume the rally that has lifted it 6 percent against the mark and 4 percent against the yen since May 8.

The dollar's poor perfor-

mance this year up to that point was largely due to the \$166 billion annual U.S. merchandise trade deficit and worries that the \$203.4 billion U.S. budget deficit will soon expand.

The trade gap puts a wealth of dollars into the hands of foreign exporters who sell them for their own currencies, which repatriating profits. The budget deficit makes the United States a less-attractive investment option for international investors.

However, "as the U.S. economy slows, we will probably see improvement on the trade front," Mr. Chandler said.

WORLD STOCK MARKETS

Wednesday, May 17 Prices in local currencies.

Frankfurt					Johannesburg					Amsterdam					London					Helsinki					Bombay					Brussels					Copenhagen					Tokyo					Osaka					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico					Milan					Sao Paulo					Seoul					Taipei					Toronto					Zurich					Stockholm					Vienna					Wellington					Auckland					Sydney					Bangkok					Kuala Lumpur					Singapore					Hong Kong					Manila					Mexico	
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Once Again, Kinnock Aims High

Thatcher's Ex-Rival Seeks Unity Among EU Airlines

Despite his efforts, Mr. Kinnock acknowledged that his toughest opponent will be an old one — Britain's Conservative government. London last week claimed major progress toward reaching its own deal with Washington, in direct defiance of a letter from Mr. Kinnock urging a "back seat" role.

Warner about the possibility of acquiring minority stake in the company.

Fininvest last week said it had received \$2.8 billion offer from Rupert Murdoch who controls News Corp., but the company said it not made any such bid.

STOCKHOLM — Mo och Domsjö AB, or MoDo, said Westfries may be a quarter-price paper. The company's sales rose 10 percent, on strong demand for paper products, mainly in Europe.

The Swedish forestry company made a pretax profit of 1.27 billion kronor (\$172.4 million), up from 202 million kronor in the first quarter of 1994. Though the company did not give a full-year forecast, it said the paper business continued to improve.

MoDo's revenue rose 24 percent, to 5.67 billion kronor. Sales of fine papers, which are used in books, magazines or for office use, its main business, rose 10 percent in volume, aided by price increases of 5 percent to 10 percent.

"The market situation in Western Europe is strong for paper, board and pulp," MoDo said. (Bloomberg, Reuters)

High Low Close Chge					High Low Close Chge				
10-YEAR PREMIUM GOV. BONDS (AMT)									
YTD vol. 250,000; 100,000 100,000									
Jan	114.28	115.54	115.84	-.08	Jun	95.55	96.80	95.35	-.10
Feb	114.28	115.54	115.84	-.08	Jul	95.55	96.80	95.35	-.10
Mar	114.28	115.54	115.84	-.08	Aug	95.55	96.80	95.35	-.10
Apr	114.28	115.54	115.84	-.08	Sep	95.55	96.80	95.35	-.10
May	114.28	115.54	115.84	-.08	Oct	95.55	96.80	95.35	-.10
ITALIAN GOVERNMENT BOND (LUFFE)									
YTD vol. 162,000; 100,000 100,000									
Jan	92.50	92.50	92.50	0.00	Jun	92.50	92.50	92.50	0.00
Feb	92.50	92.50	92.50	0.00	Jul	92.50	92.50	92.50	0.00
Mar	92.50	92.50	92.50	0.00	Aug	92.50	92.50	92.50	0.00
Apr	92.50	92.50	92.50	0.00	Sep	92.50	92.50	92.50	0.00
May	92.50	92.50	92.50	0.00	Oct	92.50	92.50	92.50	0.00
U.S. GOVERNMENT BOND (LUFFE)									
YTD vol. 250,000; 100,000 100,000									
Jan	92.50	92.50	92.50	0.00	Jun	92.50	92.50	92.50	0.00
Feb	92.50	92.50	92.50	0.00	Jul	92.50	92.50	92.50	0.00
Mar	92.50	92.50	92.50	0.00	Aug	92.50	92.50	92.50	0.00
Apr	92.50	92.50	92.50	0.00	Sep	92.50	92.50	92.50	0.00
May	92.50	92.50	92.50	0.00	Oct	92.50	92.50	92.50	0.00
High Low Close Chge									
EURODOLLARS (CMER)									
1st million; 1st 100,000 100,000									
Jan	92.50	92.50	92.50	0.00	Jun	92.50	92.50	92.50	0.00
Feb	92.50	92.50	92.50	0.00	Jul	92.50	92.50	92.50	0.00
Mar	92.50	92.50	92.50	0.00	Aug	92.50	92.50	92.50	0.00
Apr	92.50	92.50	92.50	0.00	Sep	92.50	92.50	92.50	0.00
May	92.50	92.50	92.50	0.00	Oct	92.50	92.50	92.50	0.00
Light Sweet Crude (NMR)									
YTD vol. 100,000; 100,000 100,000									
Jan	92.50	92.50	92.50	0.00	Jun	92.50	92.50	92.50	0.00
Feb	92.50	92.50	92.50	0.00	Jul	92.50	92.50	92.50	0.00
Mar	92.50	92.50	92.50	0.00	Aug	92.50	92.50	92.50	0.00
Apr	92.50	92.50	92.50	0.00	Sep	92.50	92.50	92.50	0.00
May	92.50	92.50	92.50	0.00	Oct	92.50	92.50	92.50	0.00
High Low Close Chge									
EURODOLLARS (CMER)									
1st million; 1st 100,000 100,000									
Jan	92.50	92.50	92.50	0.00	Jun	92.50	92.50	92.50	0.00
Feb	92.50	92.50	92.50	0.00	Jul	92.50	92.50	92.50	0.00
Mar	92.50	92.50	92.50	0.00	Aug	92.50	92.50	92.50	0.00
Apr	92.50	92.50	92.50	0.00	Sep	92.50	92.50	92.50	0.00
May	92.50	92.50	92.50	0.00	Oct	92.50	92.50	92.50	0.00
High Low Close Chge									
EURODOLLARS (CMER)									
1st million; 1st 100,000 100,000									
Jan	92.50	92.50	92.50	0.00	Jun	92.50	92.50	92.50	0.00
Feb	92.50	92.50	92.50	0.00	Jul	92.50	92.50	92.50	0.00
Mar	92.50								

NYSE

Wednesday's 4 p.m. Close
(Continued)

Symbol	Price	Change
IBM	100.00	+1.00
Microsoft	55.00	+1.00
Apple	45.00	+1.00
Oracle	35.00	+1.00
Sun	25.00	+1.00
HP	15.00	+1.00
Intel	10.00	+1.00
Motorola	5.00	+1.00
Texas Instruments	4.00	+1.00
Advanced Micro Devices	3.00	+1.00
Linear Technology	2.00	+1.00
Maxim Integrated	1.00	+1.00
National Semiconductor	0.50	+1.00
Rockwell International	0.25	+1.00
Signetics	0.10	+1.00
Western Digital	0.05	+1.00
Yamaha	0.01	+1.00

IBM Corp. (NYSE:IBM) closed at \$100.00, up \$1.00 from the previous session. The company reported strong earnings for the first quarter, driven by its mainframe and personal computer divisions. Analysts expect continued growth throughout the year.

Microsoft Corp. (NYSE:MSFT) closed at \$55.00, up \$1.00. The company's software sales, particularly in the Windows operating system, remain a key driver of its revenue. Microsoft is also expanding its presence in the enterprise software market.

Apple Inc. (NYSE:AAPL) closed at \$45.00, up \$1.00. The company's Macintosh and iMac lines continue to gain market share. Apple is also investing heavily in research and development for future product lines.

Oracle Corp. (NYSE:ORCL) closed at \$35.00, up \$1.00. The company's database software is widely used in the enterprise sector. Oracle is also expanding its cloud computing offerings.

Sun Microsystems (NYSE:SUNW) closed at \$25.00, up \$1.00. The company's SPARC-based servers and workstations are popular in the high-end market. Sun is also developing its own operating system, Solaris.

HP Inc. (NYSE:HPE) closed at \$15.00, up \$1.00. The company's personal computer and printer divisions are performing well. HP is also investing in its enterprise and server divisions.

Intel Corp. (NYSE:INTC) closed at \$10.00, up \$1.00. The company's microprocessors are the industry standard for personal computers. Intel is also developing next-generation processors.

Motorola Inc. (NYSE:MO) closed at \$5.00, up \$1.00. The company's mobile communication products, including cell phones and modems, are a major part of its business. Motorola is also expanding its semiconductor division.

Texas Instruments Inc. (NYSE:TXI) closed at \$4.00, up \$1.00. The company's integrated circuits are used in a wide range of applications, from consumer electronics to industrial control systems.

Advanced Micro Devices (NYSE:AMD) closed at \$3.00, up \$1.00. The company's microprocessors are a key component of its business. AMD is also developing new product lines.

Linear Technology Corp. (NYSE:LT) closed at \$2.00, up \$1.00. The company's integrated circuits are used in a variety of applications, including power management and signal processing.

Maxim Integrated Products (NYSE:MXIM) closed at \$1.00, up \$1.00. The company's integrated circuits are used in a wide range of applications, from consumer electronics to industrial control systems.

National Semiconductor Corp. (NYSE:NSM) closed at \$0.50, up \$1.00. The company's integrated circuits are used in a variety of applications, including microprocessors and memory chips.

Rockwell International Corp. (NYSE:RIG) closed at \$0.25, up \$1.00. The company's integrated circuits are used in a variety of applications, including microprocessors and memory chips.

Signetics Corp. (NYSE:SIG) closed at \$0.10, up \$1.00. The company's integrated circuits are used in a variety of applications, including microprocessors and memory chips.

Western Digital Corp. (NYSE:WDC) closed at \$0.05, up \$1.00. The company's integrated circuits are used in a variety of applications, including microprocessors and memory chips.

Yamaha Corp. (NYSE:YAMA) closed at \$0.01, up \$1.00. The company's integrated circuits are used in a variety of applications, including microprocessors and memory chips.

Symbol	Price	Change
Alcoa	45.00	+1.00
Aluminum	35.00	+1.00
Steel	25.00	+1.00
Iron	15.00	+1.00
Copper	10.00	+1.00
Gold	5.00	+1.00
Silver	4.00	+1.00
Platinum	3.00	+1.00
Palladium	2.00	+1.00
Rhodium	1.00	+1.00
Iridium	0.50	+1.00
Osmium	0.25	+1.00
Vanadium	0.10	+1.00
Niobium	0.05	+1.00
Titanium	0.01	+1.00

Alcoa Inc. (NYSE:AA) closed at \$45.00, up \$1.00. The company's aluminum production and sales are a key part of its business. Alcoa is also expanding its operations in other metals.

Aluminum Co. of America (NYSE:AA) closed at \$35.00, up \$1.00. The company's aluminum production and sales are a key part of its business. Alcoa is also expanding its operations in other metals.

Steel Industry (NYSE:STEEL) closed at \$25.00, up \$1.00. The company's steel production and sales are a key part of its business. Steel is also expanding its operations in other metals.

Iron Industry (NYSE:IRON) closed at \$15.00, up \$1.00. The company's iron production and sales are a key part of its business. Iron is also expanding its operations in other metals.

Copper Industry (NYSE:CU) closed at \$10.00, up \$1.00. The company's copper production and sales are a key part of its business. Copper is also expanding its operations in other metals.

Gold Industry (NYSE:AU) closed at \$5.00, up \$1.00. The company's gold production and sales are a key part of its business. Gold is also expanding its operations in other metals.

Silver Industry (NYSE:AG) closed at \$4.00, up \$1.00. The company's silver production and sales are a key part of its business. Silver is also expanding its operations in other metals.

Platinum Industry (NYSE:PT) closed at \$3.00, up \$1.00. The company's platinum production and sales are a key part of its business. Platinum is also expanding its operations in other metals.

Palladium Industry (NYSE:PD) closed at \$2.00, up \$1.00. The company's palladium production and sales are a key part of its business. Palladium is also expanding its operations in other metals.

Rhodium Industry (NYSE:RH) closed at \$1.00, up \$1.00. The company's rhodium production and sales are a key part of its business. Rhodium is also expanding its operations in other metals.

Iridium Industry (NYSE:IR) closed at \$0.50, up \$1.00. The company's iridium production and sales are a key part of its business. Iridium is also expanding its operations in other metals.

Osmium Industry (NYSE:OS) closed at \$0.25, up \$1.00. The company's osmium production and sales are a key part of its business. Osmium is also expanding its operations in other metals.

Vanadium Industry (NYSE:VA) closed at \$0.10, up \$1.00. The company's vanadium production and sales are a key part of its business. Vanadium is also expanding its operations in other metals.

Niobium Industry (NYSE:NB) closed at \$0.05, up \$1.00. The company's niobium production and sales are a key part of its business. Niobium is also expanding its operations in other metals.

Titanium Industry (NYSE:TI) closed at \$0.01, up \$1.00. The company's titanium production and sales are a key part of its business. Titanium is also expanding its operations in other metals.

Symbol	Price	Change
Boeing	100.00	+1.00
Lockheed	80.00	+1.00
McDonnell Douglas	60.00	+1.00
Raytheon	40.00	+1.00
Northrop	20.00	+1.00
Grumman	10.00	+1.00
Boeing	5.00	+1.00
Lockheed	4.00	+1.00
McDonnell Douglas	3.00	+1.00
Raytheon	2.00	+1.00
Northrop	1.00	+1.00
Grumman	0.50	+1.00
Boeing	0.25	+1.00
Lockheed	0.10	+1.00
McDonnell Douglas	0.05	+1.00
Raytheon	0.01	+1.00

Boeing Co. (NYSE:BA) closed at \$100.00, up \$1.00. The company's commercial aircraft production and sales are a key part of its business. Boeing is also expanding its operations in other areas.

Lockheed Martin Corp. (NYSE:LMT) closed at \$80.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Lockheed is also expanding its operations in other areas.

McDonnell Douglas Corp. (NYSE:MCD) closed at \$60.00, up \$1.00. The company's commercial aircraft production and sales are a key part of its business. McDonnell Douglas is also expanding its operations in other areas.

Raytheon Co. (NYSE:RTN) closed at \$40.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Raytheon is also expanding its operations in other areas.

Northrop Corp. (NYSE:NOR) closed at \$20.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Northrop is also expanding its operations in other areas.

Grumman Corp. (NYSE:GRU) closed at \$10.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Grumman is also expanding its operations in other areas.

Boeing (NYSE:BOE) closed at \$5.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Boeing is also expanding its operations in other areas.

Lockheed (NYSE:LOC) closed at \$4.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Lockheed is also expanding its operations in other areas.

McDonnell Douglas (NYSE:MCD) closed at \$3.00, up \$1.00. The company's defense and aerospace products are a key part of its business. McDonnell Douglas is also expanding its operations in other areas.

Raytheon (NYSE:RTN) closed at \$2.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Raytheon is also expanding its operations in other areas.

Northrop (NYSE:NOR) closed at \$1.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Northrop is also expanding its operations in other areas.

Grumman (NYSE:GRU) closed at \$0.50, up \$1.00. The company's defense and aerospace products are a key part of its business. Grumman is also expanding its operations in other areas.

Boeing (NYSE:BOE) closed at \$0.25, up \$1.00. The company's defense and aerospace products are a key part of its business. Boeing is also expanding its operations in other areas.

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Raytheon (NYSE:RTN) closed at \$0.01, up \$1.00. The company's defense and aerospace products are a key part of its business. Raytheon is also expanding its operations in other areas.

Symbol	Price	Change
General Electric	100.00	+1.00
Westinghouse	80.00	+1.00
Lockheed Martin	60.00	+1.00
Boeing	40.00	+1.00
Northrop	20.00	+1.00
Grumman	10.00	+1.00
Boeing	5.00	+1.00
Lockheed	4.00	+1.00
McDonnell Douglas	3.00	+1.00
Raytheon	2.00	+1.00
Northrop	1.00	+1.00
Grumman	0.50	+1.00
Boeing	0.25	+1.00
Lockheed	0.10	+1.00
McDonnell Douglas	0.05	+1.00
Raytheon	0.01	+1.00

General Electric Co. (NYSE:GE) closed at \$100.00, up \$1.00. The company's industrial and aerospace products are a key part of its business. GE is also expanding its operations in other areas.

Westinghouse Electric Corp. (NYSE:WEC) closed at \$80.00, up \$1.00. The company's industrial and aerospace products are a key part of its business. Westinghouse is also expanding its operations in other areas.

Lockheed Martin Corp. (NYSE:LMT) closed at \$60.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Lockheed is also expanding its operations in other areas.

Boeing Co. (NYSE:BA) closed at \$40.00, up \$1.00. The company's commercial aircraft production and sales are a key part of its business. Boeing is also expanding its operations in other areas.

Northrop Corp. (NYSE:NOR) closed at \$20.00, up \$1.00. The company's defense and aerospace products are a key part of its business. Northrop is also expanding its operations in other areas.

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CBEL watches are distributed internationally by a network of authorized dealers. In France, they are available at O. J. Perrin in Paris and BelleSGuard in Marseille. In Germany, they are available at Linn in Köln and Mayer in Augsburg. In Italy, they are available at FAGOLI in Spesia. In Switzerland, they are available at Turlen in Zürich. In Austria, they are available at Weiner in Graz. In the Czech Republic, they are available at Jenka in Praha. In the United Kingdom, they are available at Frankell in Stretton. In Belgium, they are available at Elsters in Antwerp. In Spain, they are available at Aguado in Madrid and Unica in Sevilla. In Portugal, they are available at Oliveira in Lisboa and J. J. Almeida in Porto. In Saudi Arabia, they are available at Al-Anzali in Riyadh and Jeddah. In Hong Kong, they are available at Chits. In Japan, they are available at Nikon in Tokyo. In the USA, they are available at Shreve & Co. in San Francisco.

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By [Name]

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ASIA/PACIFIC

Yen Clips Profit As Nintendo Faces Tough Opponents

Compiled by Our Staff From Dispatches

TOKYO — Nintendo Corp. said Wednesday the strong yen and price competition overseas hurt its profit for the third year in a row, and analysts predicted continued difficulties for the maker of video games.

Nintendo said its current profit in the year ended March 31 fell 15 percent, to 97.79 billion yen (\$1.13 billion) from 115 billion yen the previous year. Sales fell 25 percent, to 350.68 billion yen.

Nintendo's senior managing director, Tokio Sotani, said earnings would have risen except for a foreign-exchange loss of 35.3 billion yen caused by the surging value of the Japanese currency. Nintendo gets 37 percent of its sales from overseas.

The Kyoto-based creator of the Super Mario Brothers video game and the Game Boy player predicted profit in the current year would recover to 110 billion yen, still below the 116 billion yen the company made in 1992.

Analysts, however, said this year was likely to be another difficult one.

"A changing game-market environment in Japan will make

those targets difficult," said Naoko Ito, industry analyst at Goldman Sachs (Japan) Ltd.

She said a shift to a new generation of games players introduced by Nintendo's rivals, combined with Nintendo's decision to skip ahead to even more powerful machines that will not be ready until the end of the year, would give its competitors a significant edge.

"Nintendo will continue to lose revenue as users shift from its older machines," the analyst said. Nintendo now has a 90 percent share of the 1 trillion yen Japanese market for video-game players and software.

Nintendo blamed the strength of the yen and price competition in European and American video-game markets for the fall in earnings.

The company's domestic sales in the year were 219.37 billion yen, down from 227.97 billion yen the previous year.

Sega Enterprises Ltd., its nearest competitor, is to report its results Friday. A month ago, it projected current profit of 23 billion yen, down from a previous forecast and 46 percent below the previous year's 42.5 billion yen. (Bloomberg, Reuters)

Hyundai Closes Auto Plants As Most Workers Join Strike

Compiled by Our Staff From Dispatches

SEOUL — Hyundai Motor Co. closed its plants indefinitely Wednesday, locking out striking workers, a spokesman said.

The dispute at Hyundai, if prolonged, could hurt South Korea's booming automotive industry. As the country's first major labor disturbance this year, it also could affect other industries facing wage negotiations.

Virtually all of Hyundai's 43,000 unionized workers Wednesday joined a strike that began Saturday.

The company closed all gates to its assembly lines, barring workers from entering. About

200 union leaders remained inside, officials said.

Hyundai's trouble began last week when Yang Bong Soo, a union leader who had been fired for earlier labor activities, set himself on fire as he was stopped from entering the plant's compound.

Mr. Yang was reported to be in stable condition at a local hospital. Thousands of workers walked off their jobs in sympathy, demanding that Hyundai pay Mr. Yang's hospital bill and reinstate him. The strike was not endorsed by the company's official labor union.

(AP, AFP)

Pirates Show Their Colors Chinese Firms Start to Defy Courts

By Seth Faison
New York Times Service

SHANGHAI — Pu Xinghua, a plump man given to nervous giggling, leaned back in the witness box as he was asked whether the factory he managed had illegally copied compact disks, several of which were displayed before him in the courtroom.

"It's been a long time," Mr. Pu said, trying to suppress a laugh. "Maybe we made some like this, but I don't remember."

The chief judge, Yang Jun, raised an eyebrow. Lawyers said later that under an agreement that had been worked out before the court session, Mr. Pu was supposed to admit wrongdoing in exchange for avoiding further prosecution. Now Mr. Pu was apparently thumbing his nose at the agreement.

For the foreign plaintiff, an international association of music companies, Mr. Pu's recent testimony in Shanghai Intermediate Court was a sign that, on top of all the other frustrations in China's legal system, the court was now unable to enforce its own decisions. Only recently has it even become possible for a foreign company to take a Chinese defendant to court and win.

But if Chinese courts are inching toward fairness in disputes involving foreign companies, they are also becoming less able to control Chinese defendants. Rapid economic growth and receding regulation are making Chinese companies less accountable and more difficult to prosecute.

In the Shanghai case, the factory evaded any attempt at tough prosecution because Mr. Pu and other managers had agreed to admit guilt, to produce previously withheld evidence and to promise not to copy any more CDs illegally.

But the agreement turned out to be worthless. "They're more afraid of their shareholders than they are of the court," said Cheng Chingming, the Chinese representative for the association of music companies, referring to Mr. Pu's factory and his partners in Taiwan.

Mr. Pu, whose factory is in Suzhou, about 80 kilometers (50 miles) from Shanghai, denied any wrongdoing, saying his partner from Taiwan was to blame for any illegal activity.

"We never promised to produce more evidence," Mr. Pu said in an interview later. "We said we'd go back and check to see if there was any more. But we cannot remember anything else. We can't remember, you understand?"

In light of the broken agreement, the court is considering sanctions on the Suzhou factory. But it is unclear how enforceable any sanctions would be.

Only a handful of intellectual-property cases in China have ever been decided in favor of foreign companies. The first was Walt Disney Co.'s victory in Beijing Intermediate Court in August, when it won a \$77,000 judgment against Chinese companies that were producing children's books based on Disney's animated films.

With the complications and costs of going

to court, international lawyers say many foreign companies prefer to counter their product-piracy problem quietly, by administrative measures. That usually means fines and sanctions — smaller and swifter than those that can be won in court — ordered by officials known as the copyright police.

Mr. Cheng represents the International Federation of Phonographic Industries, a trade association of more than 200 music companies from the United States, Britain

"We said we'd check to see if there was more evidence. But we cannot remember. We can't remember, you understand?"

Pu Xinghua, accused of pirating CDs.

and Hong Kong. The companies say they are losing hundreds of millions of dollars a year from the piracy of their recordings in China.

The Suzhou case — which lawyers call a test of the campaign to clamp down on piracy — originated last year, when Mr. Cheng found evidence that Mr. Pu's factory was illegally copying foreign recordings. Shanghai authorities investigated and arrested a Taiwan man, accusing him of supplying the factory with CDs.

Although the Suzhou factory managers would not discuss the case in detail, the sequence of events described by Mr. Cheng was verified by court officials and by lawyers familiar with the case.

About a year ago, Mr. Cheng sued the partner from Taiwan, Xu Huaile. But, even though he had been ordered to remain in the Shanghai area and had his passport confiscated, Mr. Xu managed to flee to Taiwan. Mr. Cheng then shifted his focus to Suzhou Baodi Electronic Equipment Co., accusing Mr. Pu and other managers of violating copyright laws.

In part because Mr. Cheng originally had persuaded authorities in Shanghai to investigate, the Shanghai Intermediate Court accepted the case.

After long negotiations, an accord was reached a few weeks ago, Mr. Cheng said, shortly before the trial was held. Under the agreement, Mr. Cheng would drop his case against the Suzhou factory and name Mr. Xu of Taiwan as the sole defendant. In exchange, officials of the Suzhou factory promised to apologize, to release documents they had refused to disclose and not to copy more CDs.

In addition, Mr. Cheng said, the chief judge assured him that if any evidence turned up later indicating that the factory was still up to its old tricks, the court would accept a new case against the factory. "It's not what we wanted," said Mr. Cheng, a Shanghai native who now holds Hong Kong travel documents. But "we have to cooperate with the court" even when deals fall apart.

NEPC Set To Acquire Rival Airline

Reuters

BOMBAY — In the latest shake-up in the nation's airline sector, NEPC Ltd. plans to take over Damania Airways, analysts said Wednesday, forming one of the largest private airline networks in India.

Under an agreement signed Tuesday, Damania is to be run by Ravi Prakash Khemka, chairman of NEPC. The company, which began as a maker of wind turbine generators, also operates NEPC Airlines, an Indian regional carrier, owns food-processing, textiles and paper units and is planning to expand into the satellite television business.

Airline industry sources said NEPC and Damania together would form one of the largest private airlines in the country. East-West Airlines is currently the largest, with 10 aircraft, compared with the dominant state-run carrier Indian Airlines, which has more than 50.

India opened the aviation sector to private airlines, breaking a state monopoly, under economic reforms begun in 1991.

NEPC described the deal as a "strategic alliance," but industry sources said they expected NEPC to take over Damania once all clearances from the government have been secured.

NEPC said it would hire an expatriate chief executive to run Damania, which has a license to operate five Boeing 737 aircraft and serves major Indian cities.

Neither company disclosed terms. The Economic Times newspaper said NEPC would pay 150 million rupees (\$4.8 million) for Chairman Parvez Damania's stake of about 25 percent in his airline.

Goldlion Chief Has Tarnished Past

Compiled by Our Staff From Dispatches

HONG KONG — Tsang Hin-chi, who rose from a home workshop to forge one of corporate Hong Kong's closest links with the Chinese government, failed to reveal his criminal record to investors when his company sold shares, his company said Wednesday.

The news heightened concern

Investor's Asia				
Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225		
10000	2400	20000		
9000	2300	18000		
8000	2200	16000		
7000	2100	14000		
6000	2000	12000		
5000	1900	10000		
4000	1800	8000		
3000	1700	6000		
2000	1600	4000		
1000	1500	2000		
0	1400	0		
1994	1994	1994		
Exchange	Index	Wednesday Close	Prev. Close	% Change
Hong Kong	Hang Seng	9,170.24	9,162.32	+0.09
Singapore	Straits Times	2,160.29	2,193.77	-1.53
Sydney	All Ordinaries	2,042.50	2,044.50	-0.11
Tokyo	Nikkei 225	16,471.35	16,388.90	+0.50
Kuala Lumpur	Composite	1,015.82	1,036.06	-1.96
Bangkok	SET	1,355.72	1,359.26	-0.26
Seoul	Composite Index	885.20	885.33	-0.15
Taipei	Stock Market Index	5,771.46	5,798.88	-0.49
Manila	PSE	2,779.57	2,769.07	+0.38
Jakarta	Composite Index	464.50	463.50	+0.24
Wellington	NZSE-40	2,152.27	2,142.58	+0.45
Bombay	Sensitive Index	3,175.09	3,149.77	+0.84

Source: Reuters

Very briefly:

• Victor Co. of Japan has invested almost \$40 million in two new television manufacturing ventures, one in Wuhan, China, and the other in Tijuana, Mexico, with much of the Mexican plant's output to be sold in the United States.

• Seven Network Ltd. plans to restructure its management, cutting costs and employment, but a spokesman for its largest shareholder, Kerry Stokes, who seeks two seats on Seven's board, called the moves "too little, too late."

• Singapore's telecommunications regulator invited private companies to bid for a license to provide a commercial Internet service there. The bidding will close June 30, and the winning bidder will be required to start commercial service within 12 months of securing the license.

• Olympus Optical Co. had consolidated pretax profit of 4.8 billion yen (\$55.7 million) in the year ended March 31, reversing a loss of 245 million yen a year earlier. The camera maker's sales rose 5 percent, to 252 billion yen.

• Tenneco Inc.'s Tenneco Gas unit signed a letter of intent to buy the state-owned Pipelines Authority of South Australia for more than \$200 million.

AFP, Reuters, Bloomberg, Knight-Ridder

AIRLINE: KAL Challenger Gains In Thailand, a Hostile Bid?

Continued from Page 13

the addition of its 100th plane to its fleet. With the number of Korean travelers growing at more than 15 percent a year, about twice the regional average, there is plenty of traffic to be go around. KAL made a profit of \$46.8 million in 1994.

While attention to quality is key — Asiana uses low-powered garlic in the kimchi it serves on board — the airline has another advantage over its regional counterparts: a relatively equitable regulatory environment.

While most other second carriers in Asia compete with state-owned flag carriers, Korean Airlines has been a private company since 1969. Asiana, moreover, has even gained from government largesse, as state-owned banks have put in nearly one-quarter of its \$291.2 million of paid-in capital.

"Government policy in many countries is to encourage new entrants, but in fact they are often severely constrained," Mr. Wu said. "In Korea, it's a fairly level playing field."

What is more, the government gave Asiana key routes to Japan in the late 1980s that be-

came big money-spinners. The routes are lucrative because Japanese international travelers leaving regional airports such as Hiroshima or Sapporo often have to transfer at Narita Airport in Tokyo. Because there are few connecting flights to Tokyo's crowded gateway, transferring at Seoul can be faster — and cheaper, as fares remain high in Japan.

Asiana's 14 routes to Japan are the heart of its international system, but the opening of the new airport at Osaka and partial deregulation of Japanese fares has reduced the profitability of these routes. "Yields remain high, but there's no growth," said Mr. Park, the executive vice president.

Asiana is compensating with new routes to the United States and China. It was given exclusive rights to fly the important Seoul-Shanghai route in December.

Asiana, however, remains dissatisfied. It would prefer to compete with Korean Airlines on the busy routes to Paris, London, Frankfurt and Sydney, but it says the government wants to reserve these for its rival.

BANGKOK — Conflicting statements by Bank of Asia and Thailand's largest finance firm, Finance One PLC, regarding a possible takeover of the bank may mean a hostile bid is brewing, analysts said Wednesday.

The bank denied that Finance One had launched a takeover bid, but Finance One said negotiations were continuing with major Bank of Asia shareholders. Analysts said any attempt by Finance One, which indirectly owns 25 percent to 30 percent of Bank of Asia, to buy more of the bank's shares would probably come in the form of a hostile takeover because the bank was denying any deal had been made.

Bank of Asia on Wednesday reported first-quarter profit of 315.5 million baht (\$12.8 million), up 19 percent from a year earlier. Bank of Asia rose 4 baht, to close at 71.5.

TUNISIAN REPUBLIC ANNOUNCEMENT

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European Opportunities Fund	1st	2nd
North American Opportunities Fund	1st	1st
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Source: Micropal. Based on offer to offer prices with gross income reinvested to 1/5/95. Quartile rankings are based on the Micropal universe of competitor funds included in the Offshore Territories and Luxembourg databases.

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Private Banking

Gauging the Safety Of Offshore Banks Investors Should Watch For Signs of Trouble

PARIS — The financial world offers many opportunities for folly, but perhaps none is more egregious than that of thinking it couldn't happen to you.

"It" in this case, is wholesale financial catastrophe and loss of personal savings, and it can — and does — happen all too frequently.

If you are in any doubt about this, go ask an investor in a failed bank, such as the Bank of Credit & Commerce International, or BCCI.

The bank failed almost four years ago, and very few of the investors in the various countries around the world where BCCI had branches are at all satisfied. Those who appear to be doing the best — that is, the least badly — are the 30,000 claimants in the United Arab Emirates, who may receive around 40 cents in the dollar on their deposits.

The failure of an apparently up-market and safe bank, with branches in well-known offshore locations such as the Cayman Islands and Luxembourg, must prompt would-be investors in private banks to ask themselves some important questions.

The first is, how can investors know that the bank to which they have entrusted their money will not turn into another BCCI? More particularly, what are the telltale signs that should warn investors that all is not as it should be?

Second, given the delay and expense involved for investors attempting to reclaim even a percentage of their lost money, how important are legal safe-

guards such as deposit guarantee regulations?

Third, what are the positive indications that investors should look for in their search for a safe private bank?

"It's very difficult to say what to look for in assessing whether a bank is in trouble," said Collin Powell, chief adviser to the States of Jersey in the Channel Islands, an offshore haven with £70 billion (\$112 billion) in assets on deposit. "If you look at each bank collapse since the 1970s, you will find that the failures have occurred because of different circumstances."

One factor Mr. Powell singled out as a possible warning sign was an over-elaborate corporate structure that might tend to obscure who or what is controlling a bank.

Another factor that should set off warning bells is if the bank offers interest rates well above the market average.

Said a London-based lawyer involved in BCCI litigation: "Money markets are ruthlessly efficient, and if someone is offering more than the competition, you have to ask questions."

Given that the signals are not always clear, the next question would be bank investors should ask is whether the bank or its jurisdiction has a deposit guarantee plan in place.

By that measure, the Isle of Man may be one of the safest havens around. Michael Weldon, supervisor for banking at the island's Financial Supervision Commission, said depositors in Isle of Man banks are

Continued on Page 22



Guernsey, top, and Luxembourg, bottom, are among the best-known havens.

Competition Grows in U.K.

By Erik Ipsen

LONDON — In the past three years there has been an explosion in the number of new entrants into the private banking market in Britain. "Suddenly it is a business everybody wants to be in," says Phillip Amphlett, branch manager for Zurich-based Bank Julius Baer

in London. "Private banks offer the aura of high profitability, that you can charge much more for the service."

Driven by the promise of profit margins of 20 percent and more, institutions ranging from stockbrokers like Kleinwort Benson and Merrill Lynch to the large British commercial banks have all opened up private banks in London in recent years.

The private bank with by far and away the biggest slice of the British market, Coutts & Co., stands in the center of this whirlwind of increased competition. "Simply as the market leader, the franchise most under attack is Coutts," says Mr. Amphlett.

The bank, owned by National Westminster Bank PLC, has

Continued on Page 22

Mutual Funds Gain Favor, Even for the Wealthiest

By Martin Baker

PPRIVATE banking is like the elusive concept of star quality. Few, if any, can describe it precisely, but many claim to know it when they see it. Some private bankers appear positively to enjoy the hint of mystery that surrounds their jobs. Private banking, it is enigmatically claimed, is about servicing a client's personal needs, on both the asset and the liability side of the personal balance sheet. What precisely this entails is often left unsaid, because private banking is supposed, above all, to be discreet.

But, discretion notwithstanding, it is clear that the asset-management side of private banking has changed dramatically in recent years. And one of the most significant developments has been the increased use that private bankers make of mutual funds — the off-the-shelf collective investment vehicles catering to millions of small investors worldwide.

"The private banking connection is one of our most interesting market segments," says Richard Brereton, London-based vice-president of BT Global Investors, the international mutual fund arm of Bankers Trust.

Mr. Brereton identifies "the emerging cult of equity in France and Germany" as key factors in an envisaged expansion of his firm's mutual fund presence in Europe.

"We expect to get considerable business from European private banking clients, who tend to be wealthier and more sophisticated investors with an understanding of the need to diversify their assets into markets with a low investment performance correlation," he says.

BT Global Investors is not alone in seeing an opportunity for fund growth in the private banking sector. "There has been an increased use of mutual funds, especially by smaller and middle-sized banks," said Gianni Valsecchi, a director of Robert Fleming Private Bank in Zurich.

"They have been using different and foreign mutual funds quite frequently because they have greater freedom to select the product they want — and because they don't have their own funds, like the big banks."

Banque Indosuez has increasingly directed its clients' money into mutual funds, too. "We have seen a fantastic increase in investment funds within the group," says Michel Potsios, worldwide director of private banking at Indosuez Private Bank.

"Our international umbrella fund, which is reserved exclusively for high-net-worth individuals, had some \$100 million under man-

agement in 1993. That figure is now near \$1 billion," he says.

A look at the growth of funds under management in Switzerland — a country whose banking industry is dominated by private banks — is instructive. According to statistics cited by International Fund Investment, a quarterly mutual-fund magazine owned by the International Herald Tribune, Swiss-domiciled investment funds and Luxembourg-domiciled investment funds that are Swiss-controlled grew by over 6 percent in 1994, to some 173 billion Swiss francs (\$153 billion).

The number of Swiss-domiciled funds achieved a record figure of 251 last year, while in Luxembourg 280 of the 3,018 funds domiciled in the principality are controlled by Swiss institutions.

So both the anecdotal evidence and the assets-under-management figures, insofar as they can be attributed directly to private banking, indicate a surge of demand for mutual funds in the private banking industry. The key question — given that the production-line style of mutual fund investing, is implicitly at odds with the image of a personalized service — is what has stimulated that demand.

MR. Brereton of BT Global Investors thinks it should come as no surprise that private banking clients are going into — or being put into — mutual funds: "If you have less than \$2 million, you're better off in mutual funds. You have lower costs than a client being managed in a discretionary, customized portfolio, you will have better diversification of assets, and you can move in and out of a fund with amazing speed."

Other bankers cite local expertise as another attraction. Mutual funds allow clients to easily diversify their investment portfolios into other markets by investing in vehicles that are managed by professionals located in that market.

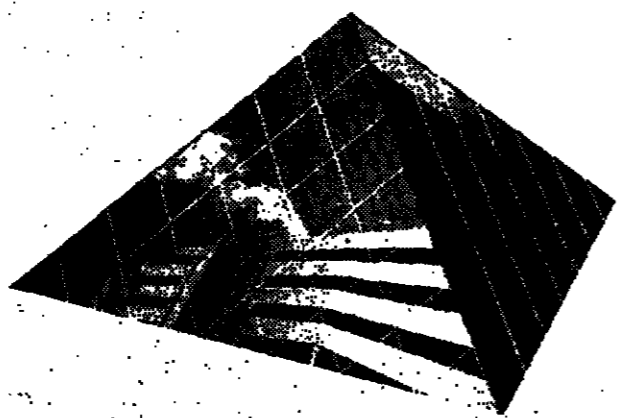
Mr. Potsios adds two more reasons for the popularity of fund investing: access to exotic markets, and tax.

"There are some markets that can effectively only be accessed through the medium of mutual funds," he says, citing South Korea, where foreign investment is capped, and India, which presents problems in settling trades. Mr. Potsios also argues that a fund can sometimes be more tax-advantageous than a discretionary account.

MARTIN BAKER edits the International Herald Tribune's Money Report.

Banque Générale du Luxembourg in 1994: Steady Growth in Activity and Results

- Expansion in savings products oriented towards certificates of deposit and bonds
- Sustained placing activity in the bond markets
- Growth in lending to the Luxembourg economy
- Selectivity in international lending
- Substantial increase in the securities portfolio in lieu of loans
- Strong demand for portfolio management services.



Consolidated Highlights (in millions of USD)

	1993	1994	% change 93/94
Total assets	23,274	24,584	+ 5.6%
Amount due to customers	16,350	16,961	+ 3.7%
Claims on customers	4,327	4,057	- 6.2%
Claims on credit institutions	11,474	12,198	+ 6.3%
Securities portfolio	1,654	2,501	+ 51.2%
Own funds to	988	1,152	+ 15.4%
Profit for the financial year	77.7	84.9	+ 9.2%
Dividend per share (in USD) (1)	26.3	31.3	+ 19.0%
Jubilee dividend per share (in USD) (2)	3.1		

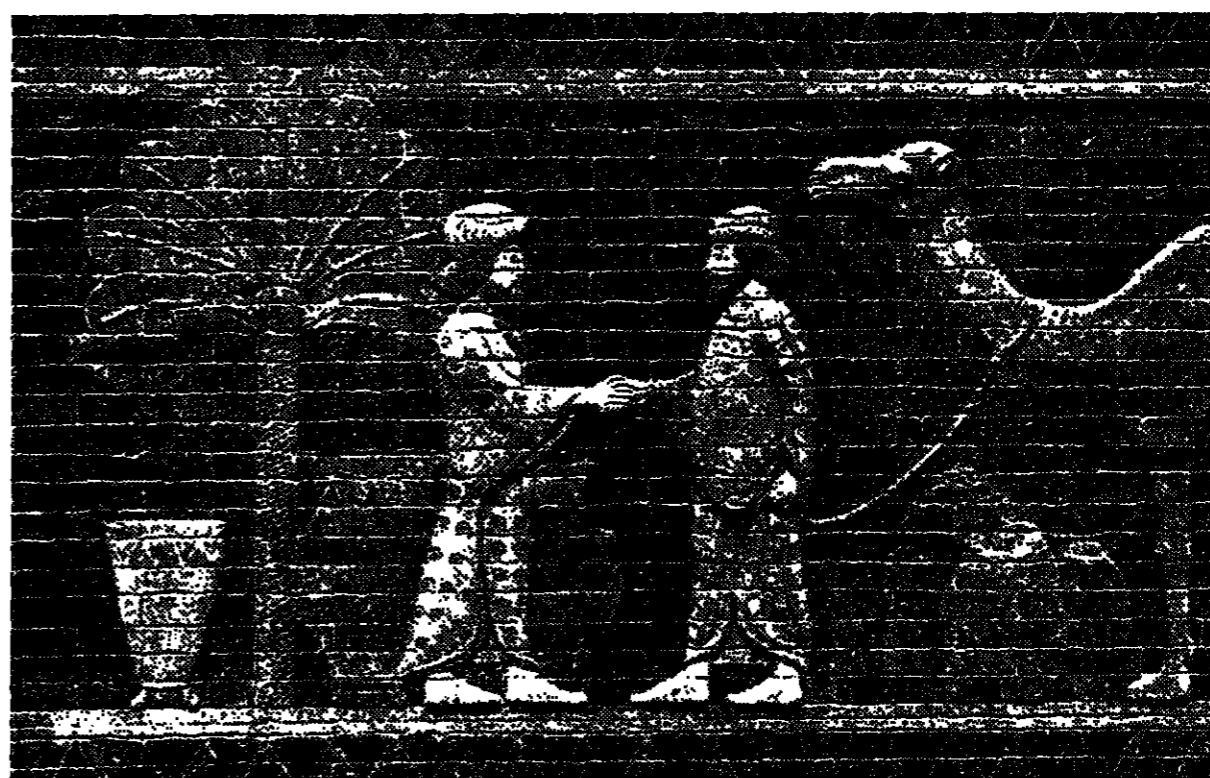
(1) After distribution of profits (2) Before withholding tax. Exchange rate 31.12.1994, 1 USD = 31.9 LUF



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PRIVATE BANKING / A SPECIAL REPORT

In Asia,
Rivalries
On RiseHot Competition
Among Bankers
In Hong Kong

By Frederick Balfour

HONG KONG — These days Hong Kong private bankers are learning how to sing for their supper.

No longer is a good MBA and a head for figures enough to win business. Competition has become so fierce that a low golf handicap, a crisp tennis serve or a rich tenor voice can help cement the ties between private bankers and their clients.

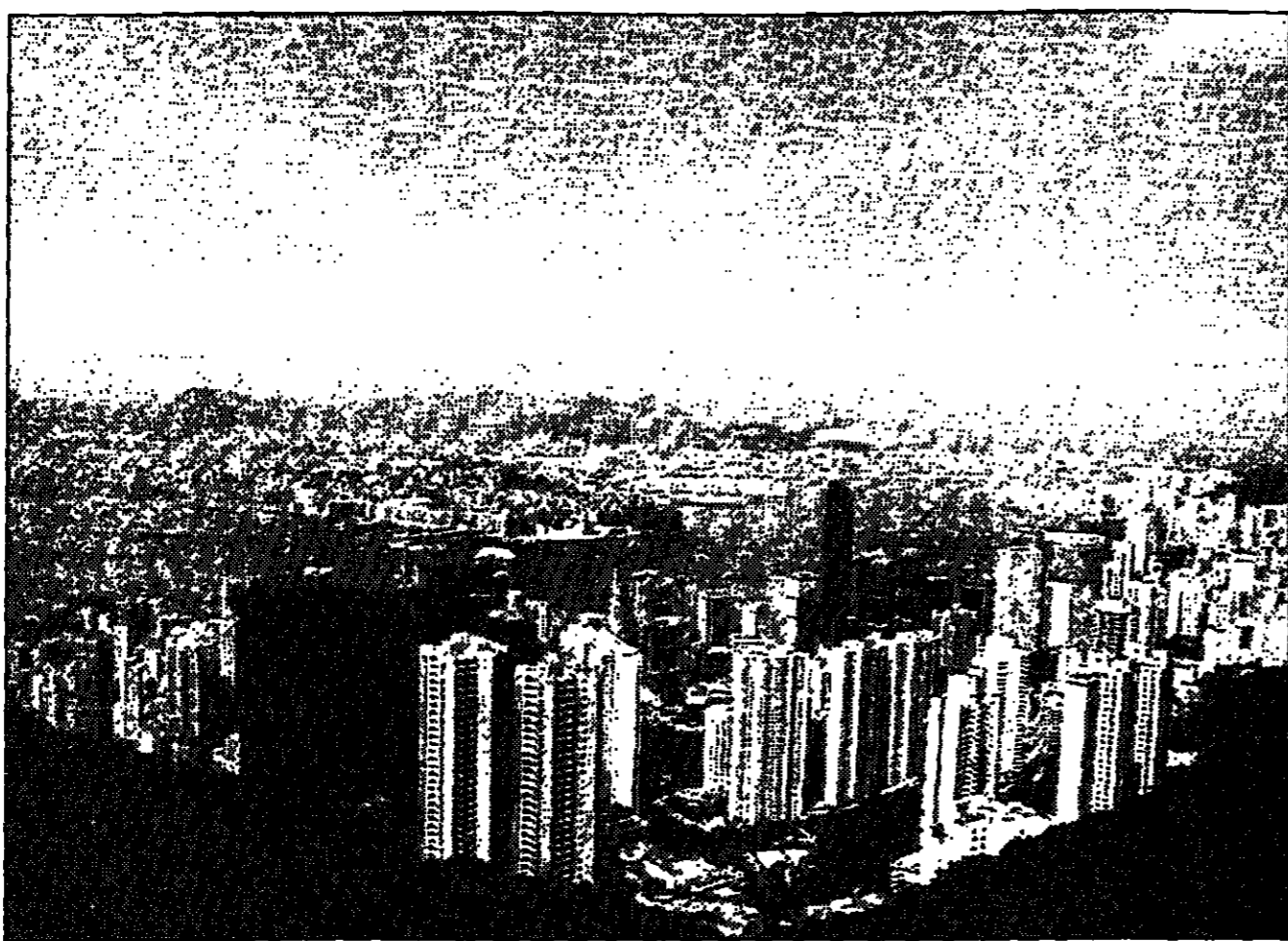
"You try to make yourself feel like part of the family. Bankers may be required to attend weddings, graduations and even sometimes sing karaoke at a client's home," says Edward Sy, vice president of Citibank Private Banking in Hong Kong.

Of course, what Hong Kong's well-heeled private banking clients care most about is a solid track record and a full range of investment services, Mr. Sy says.

The rewards could be enormous. East Asia, excluding Japan, accounts for about 28 percent of the roughly \$11 trillion potential global private banking business, defined on the basis of individuals with more than \$1 million in liquid assets. The region also represents the world's fastest-growing private banking market. A U.S.-based research company recently estimated that the market would grow almost 30 percent a year during the next five years, double the global average.

In Hong Kong alone, the number of individuals qualifying for the U.S. millionaire club, which stood at around 13,500 at the end of 1994 is set to grow by 12 percent, or 1,600 members, this year.

Business from elsewhere in Asia is flowing in too, says Richard Harris, chief executive



Private bankers in Hong Kong are finding the landscape more difficult to conquer.

of Jardine Fleming Private Investments, the private banking arm of Jardine Fleming Holdings Ltd. Mr. Harris says that just over half of his business comes from Hong Kong residents, while a sizeable chunk flows in from wealthy Filipinos, Indonesians and Taiwanese who find Hong Kong offers superior financial services and an unfettered regulatory environment.

He also says that while in Europe private banking is largely driven by capital gains considerations, too often decisions become a matter of the "tax tail wagging the investment dog." In Hong Kong, where there are no capital gains taxes, investors can afford to be more aggressive.

Of course investment strategies depend most on a client's time horizon, risk averseness, domicile, and goals, which in Hong Kong must be set against the backdrop of the impending handover of the colony back to China. Citibank's Mr. Sy says that the exodus to Canada, Australia and Britain has created

the need to develop a new range of services not traditionally considered as private banking, which can range from helping secure property mortgages to helping with admission to overseas high schools and colleges.

Tim Gibbs, vice president, Asia, of global private banking at Royal Bank of Canada, says the rapid increase in Hong Kong immigration to Canada, averaging more than 35,000 annually for the past couple of years, has been a boon for private banking business. One popular product is Royal Bank's immigration fund, which requires a minimum \$500,000 investment for at least five years. Although the monetary returns to the funds are small — fund proceeds are used to provide cheap credit to small Canadian companies — after five years fund holders can get a Canadian passport.

Once Hong Kongers have anchored a child or spouse abroad, they usually return to the colony to make their fortune, and will often want to set up an offshore trust to take advantage of the five-year tax holiday offered to new immigrants to Canada.

While some business is moving to Switzerland, most existing customers prefer to do their offshore banking in an Asian time zone. Nervousness over Hong Kong's future isn't limited to locals. Clients from Indonesia, the Philippines and Taiwan now using Hong Kong for private banking services are becoming increasingly interested in parking their assets out of Hong Kong.

Another difference between private banking in Hong Kong and elsewhere is that people have shied away from estate planning because of the traditional Chinese superstition regarding talking about death. But the looming question of life in Hong Kong after 1997 has prompted residents to plan ahead, and for the first time many are setting up offshore trusts for their children and pension plans for themselves.

Now members of the older generation — many of whom made their fortunes in Hong

Kong after fleeing China after 1949 — are handing over the reins of their empires to their offspring. The second generation is less conservative, often foreign-educated and financially extremely sophisticated.

That means that banks are tending to hire younger people who can schmooze with the new generation.

Unlike Europeans, who normally rely on only one private banker to manage their finances, Asians tend to spread their assets among competing firms. This allows rich clients to play one bank off another, and also helps prevent others from knowing the full extent of their wealth.

Although competition is stiff, private bankers say they turn down a lot of dubious customers. Citibank's Mr. Sy says "Many mainland customers are just looking for confidentiality. If somebody shows up with \$1 million in cash, we won't accept it. We can't afford to have a scandal."

FREDERICK BALFOUR is a writer based in Hong Kong.

Hong Kong Launches Effort
To Weed Out Dirty Money

By Jon Lidén

HONG KONG — Asia, having an estimated \$2 trillion in investible wealth concentrated in the hands of millions of millionaires rather than spread evenly among the region's two billion people, is attracting a swarm of private banks eager to assist the newly rich in managing their money.

Yet, private bankers are not the only ones flocking to Asia for financial reasons.

In a world where life is getting increasingly difficult for money launderers, Asia is providing a breathing space. Financial investigators and drug enforcement officials worry that the large number of confidential banking services in Asia facilitate the tasks of money launderers.

Liberal banking and currency rules and huge money movements due to the region's economic boom make Asia an attractive place to wash dirty cash not only for the region's own drug barons, kick-back kings and organized-crime lords. The Colombian drug cartels and the Mafia are also moving more of their money to Asia these days, financial investigators from several countries agree. Despite recent efforts to stem such activities, Hong Kong remains the favorite center for Asian money laundering.

The private bankers themselves assert, however, that they adhere to rigorous standards of integrity, and that money launderers have to use other methods than going through established private banks in order to cleanse their dirty cash.

Last year, transactions totaling 13.8 billion Hong Kong dollars (\$1.8 billion) were reported by banks in Hong Kong as being "suspicious." For March this year alone, 3.6 billion dollars were reported. This voluntary reporting system is considered to only uncover a fraction of the illicit money travelling through the territory.

"Only 3 to 4 percent of these reports are drug-related," said Steve Carruthers, superintendent at the Financial Investigations Group of the Narcotics

Department of the Hong Kong Police. "A larger percentage involves organized crime and other illegal activities in Hong Kong, but the large majority is funds that can be construed as money laundering from other Asian countries."

"A substantial amount comes from huge payoffs to officials as part of large infrastructure projects in Southeast Asian countries," said Steve Vickers, managing director of Kroll Associates, a financial investigation agency.

The Hong Kong government introduced strict legislation in 1989, making it a criminal act to accept custody of money known to be earned from drug sales. In November, an Organized Serious Crimes Ordinance was added to the Drug Trafficking Proceeds Ordinance of 1989, making the disclosure rules effective for all crime related funds. The legislation, which became effective last month, makes it possible to charge bank officials who accept money without due diligence with complicity in money laundering.

"This brings Hong Kong up to par with most Western countries' legislation in these matters," said Mr. Carruthers.

Yet, officials believe that such legislation is far from enough to restrain money laundering in the territory. The legislation needed to clamp down effectively on such activities would also restrict many of the features that make Hong Kong Asia's leading financial center. Neither bankers nor regulators are willing to go that far.

Investigators repeatedly point out that despite the strict regulations, no one has so far been tried for money-laundering activities in Hong Kong.

Investigators are encouraging voluntary reporting of suspicious transactions by the banks. Mostly it is the big retail banks that provide information, according to the police. Private banks rarely reveal information until they are compelled to.

"For the first four months of this year, we have had more reports than the entire 1994, which I think is mainly a result of us working more actively with the bank tellers of retail banks," Mr. Carruthers said.

With so few controls on currency transactions and money movement, the need to use private banks is less pressing for the large-scale money launderers in Asia, where they instead often use remittance-houses and set up their own financial companies to transfer and reinvest dirty money. Private banks are more used by individuals who have received "grey" money through kick-backs and other forms of corruption.

"There are certainly some private banks in Hong Kong that are not very choosy in where they take their money from," said Mr. Vickers of Kroll Associates. "We have also seen several instances where payments have been made to corrupt people within highly reputable banks from those wanting to park money they otherwise would not be able to place in a respectable banking institution."

Although private bankers admit that there are rotten apples among them, they stress that there is so much demand for banking services in fast-growing Hong Kong that there is no need to accept money from dubious sources. The large private banks insist that they have taken with them the strict rules on sourcing of money and disclosure that have become obligatory in Europe and the United States over the last 10 years.

"We pride ourselves on imposing rigorous standards on our staff to make sure they avoid suspicious transactions," said Marco Netzer, head of private banking at Union Bank of Switzerland in Hong Kong. "We would far prefer to turn down money of a doubtful source rather than run the risk of impugning our reputation for integrity."

"Our staff are also well aware that failure to comply with the law could result in substantial criminal penalties, including jail time. Therefore, they do not accept money unless there is satisfactory documentation of its origins, and we continuously monitor accounts for suspicious movements of funds."

JON LIDÉN is a journalist based in Hong Kong.

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PRIVATE BANKING / A SPECIAL REPORT

Courses Help Teach Heirs To Manage Family Fortune

By Thomas Fuller

GENEVA — Were it not for the neatly arranged teacups on a table near the door, the elegant molding, high ceilings and large French windows facing Lake Geneva, it could be any classroom. Then again, maybe not.

For the 20-or-so students gathered in the drawing room of one of Geneva's most luxurious hotels, there is a special poignancy to their assignment: to analyze and critique a hypothetical investment portfolio put together by their professor.

But unlike other students of personal finance, their academic diligence could be reflected beyond the grade they will receive on the final examination: Their family fortune might depend on it.

Every student involved in this week-long course is the son or daughter of a multimillionaire.

They have come to Geneva from all over the world to learn about futures, forwards and hedging. There is homework, there are tests, and there are teaching aids — like a game of financial "Jeopardy" — when the material seems too dry to learn on its own.

The course is offered free to a select group of clients and prospective clients of the Chase Manhattan Private Bank.

As private banks have become more competitive in the last few years, courses like this one have appeared in American banks and, more recently, European ones.

But within the entire industry, the number of banks that offer such a service remains small. The Chase seminar, one of the oldest, is in its third year.

"This is something that we offer to our larger clients," said Ian Partridge, area marketing director of Chase's private bank. To be considered for the course, a client must have sub-

stantial liquid assets: "Five million dollars would be the very bare minimum," for the family involved, Mr. Partridge said. "Generally in excess of \$10 million with Chase. Often with much greater potential."

The students analyze charts of stock-market performance and use a computer game to learn how to invest their assets.

The game, which was designed for families who need to save money to send their children to college and plan for retirement, seems only remotely appropriate.

Their goals would be different: setting up money for the patrimony, having a cushion for the business," acknowledges the professor, Jim Davis. A bond trader turned financial consultant, Mr. Davis laments that he cannot program the game with enough zeros for this group.

"I tell them to forget the zeros and get as much as they can out of it," he says.

WHAT has brought on the private banks' recent interest in such seminars? An estimated \$7 to \$10 trillion will be transferred within families over the next 25 to 30 years in the United States alone, according to a study by Cornell University. Private banks, realizing that some of their clients are anxious about how well the next generation will handle the family fortunes, have started giving these seminars.

At the Chase seminar, about two-thirds of the students who have taken the course are male, and geographically the participants come in even proportions from the Americas, Europe, the Middle East and Asia.

Other banks offer a more localized service for clients with more modest means. The private banking arm of the Kleinwort Benson Group PLC hosts a London-specific half-day seminar for 18- to 24-year-olds that includes reading the financial press and learning financial

jargon. "We go through not only making financial decisions but also what the City is about," said Jacqui Brabazon, the bank's marketing manager, referring to London's business district.

Unlike Chase, Kleinwort Benson does not distinguish between clients' wealth when inviting them to the seminar. The seminar is offered three times a year and caters to everyone from those who need to know how to open a bank account to those looking for a job in finance.

The seminar, according to Mr. Partridge, puts Chase in touch with the next generation of clients and perhaps influences their choice of bank when it is their turn to handle the family finances. "They're people who will be solicited by financial institutions, by advisors, and it's really important that they have enough knowledge to know when they are being given good advice," he said.

"The markets are becoming more and more sophisticated. If you go back a few years, many banks were offering just deposits. Now a client is expecting a broad range of services and banks are proposing that. And that means for the client, they have to filter through the good ideas from the bad."

Does the idea of group seminars contradict the definition of a private bank: one-on-one approaches to client needs?

Gerard Gardner, executive director of banking at The Private Bank & Trust Co. in London, says the prospect of group seminars at the bank initially clashed with the bank's personal approach and policy of confidentiality.

Grouping clients together for seminars is a trend among American private banks, he said, but one that is making inroads in Britain. The bank is looking into the possibility of holding a seminar soon.

"It's something different for

us because our strategy since the outset has always been one of an individual relationship with the family client. But I think there's a growing feeling that there's a shared experience that could benefit the clients and their children," he said.

THE group exercises at the Chase seminar include scenarios that begin: "You are a 37-year-old football player, still playing, but no longer ranked as a top player. You accumulated a sizable fortune in earlier years, but lost much of it speculating in commodities. You have a small chain of sports shops in Spain which just about break even."

The students are given additional information on the

wealth of the football player, then asked to put together an investment portfolio, which the professor reviews with the class afterward.

Mr. Davis also uses various charts to demonstrate his points: "Dangers of Market Timing," "Risks and Returns," and "Why it Pays to Be Unfashionable."

"I try to show them that very rarely in a major market is this year's winner next year's winner," says Mr. Davis. "And very rarely is last year's dog, this year's dog."

The goal: "An educated client," says Mr. Partridge, "is a better client."

THOMAS FULLER is on the staff of the International Herald Tribune.



Philanthropy May Hold Key To Preserving Future Wealth

CLOGS to clogs in three generations. The British expression is old, perhaps, but not as old as the problem: A family accumulates wealth and grows out of their clogs, only to go back to wearing the wooden shoes three generations later when their money has been lost.

In recent years private banks have tried to help wealthy families retain their wealth by offering seminars for the younger generation, attempting to teach them estate planning and more general things about the world of finance.

But among the solutions offered at these seminars by consultants and private bankers, no approach seems as novel as that of Roy O. Williams.

Give part of the money away, Mr. Williams advises, so that future generations will learn how to manage the family's money by participating in the creation of a family foundation.

Chairman and founder of The Williams Group Inc. (retired), Mr. Williams has based his 30 years in the business on a fairly simple idea: "Through philanthropy, you can reinstate family values," he says.

By creating a trust or family foundation, he explains, younger members of the family will gain experience in setting goals and selecting expert advisers, including lawyers, accountants and money managers.

In addition to gaining practical experience in financial management, according to Mr. Williams, philanthropy helps family members "become more well-rounded as human beings."

"The family doing this together as a unit builds communication skills," Mr. Williams says. "It builds the very values that the family

wants to promote. And the growth that we see in the children is extraordinary."

If Mr. Williams couches his advice in almost psychoanalytical terms, it is because he believes that the main reason that a family fails to transfer its wealth successfully is because of a "breakdown of trust and communication" within the family unit.

Two other problems that wealthy families face — the inheriting generation's lack of expertise and the effects of taxation — are also addressed but play a lesser role in a family's transfer of wealth, he says.

Although the problems Mr. Williams tackles exist wherever wealthy families do, the industry The Williams Group represents seems for now to be a U.S. specialty.

"I think the Americans are far more advanced than we are in terms of the families getting involved and becoming philanthropists," says Peter West, a consultant for Trusts in Partnership, a nonprofit organization in Britain that advises philanthropists. "They have far more social awareness of the wealthy and the poor and the role that they have to play in life."

BUT he says that British private bankers are "getting up to speed" with their U.S. counterparts. Recently Mr. West invited Mr. Williams to explain his heir-preparation methods to British philanthropists and bankers.

Although Mr. West, who says the American attitude toward philanthropy is sometimes "cavalier" by British standards, acknowledges that advising wealthy Britons requires a more low-key approach than would generally be used with American families — "you have to be a little more circumspect, a little more conservative," he says — the overall principles are the same:

"What Roy does and we do specifically is to help wealthy people to structure their giving, to manage it, to monitor it, to set criteria for their giving, and not to be pulled by heart strings, tear-jerkers and not to be on an emotional basis."

The target client for The Williams Group is an individual or family with net worth between \$5 million and \$500 million. The average client has a net worth between \$25 million and \$50 million, Mr. Williams says.

FOR the past three years The Williams Group has run a seminar that the private-banking arm of Citicorp offers to its wealthy clients. Mr. Williams is also author of a book, "Preparing Your Family to Manage Wealth," which includes chapters on such different topics as feelings, values and goals and involving your family with your business.

Indeed, the book seems to reflect an important tenet of The Williams Group: Wealth should be handled responsibly so as to benefit families and society as a whole.

"My own personal opinion is that the world of commerce is not exempt from the spiritual laws that govern our lives," writes Mr. Williams.

"From my own experience, I am convinced that there are basic principles which impact upon the businessman or the manager of wealth," he writes.

"I have found, for example, that whatever your actions, they will often attract like action back to you: if you are committed to taking advantage of people, the world will respond by providing you with ample opportunities to hurt yourself."

But he adds: "If you go out of your way to help others, you, too, will receive help — often from unexpected sources."

Thomas Fuller

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PRIVATE BANKING / A SPECIAL REPORT

New Products for Boomers

By Laura Colby

AS members of the postwar generation join the ranks of the wealthy, the demands being placed on private bankers are changing.

This new generation is demanding increasingly sophisticated services from their banks, or else it is taking its business elsewhere. Indeed, a recent survey by Payment Systems Inc. showed that U.S. banks experienced a decline in absolute revenues and market share for financial services received from affluent customers in 1994.

The share of the funds spent on financial services by wealthy individuals shrank to 24 percent last year from 34 percent a year earlier. This so-called share of wallet increased for brokerages and other financial advisers.

Analysts say prospective clients are looking for more varied services than private banks have provided in the past. These include the use of new technologies, such as on-line banking services and communications, as well as help with foreign exchange and global custody.

Bankers are trying to expand the private banking business by, in many cases, lowering the threshold of income or net worth at which a client can qualify for private banking services. The reasoning is that today's \$100,000-a-year executive may be tomorrow's millionaire.

Private banks have also been offering a series of new products and services tailored to meet customers' needs.

Kleinwort Benson Investment Management, for instance, has launched products aimed at different stages of the investor's life, including a mortgage management account that lets younger clients take advantage of the equity in their homes and an investor's deposit account, a bank deposit account that offers returns linked to the average movement of the Financial Times Stock Exchange 100 index. There is also an account that aims to cover residential care charges for elderly clients while preserving their capital.

At Chase Manhattan's Private Bank, which aims at individuals with \$5 million or more of liquid assets, products include credit lines and

corporate financing for wealthy, entrepreneurial clients who need to finance the expansion of their business or the takeover of others. Chase Asset Management also recently began offering a multi-strategy fund, according to Mark Richardson, the chief investment officer. For the very wealthy who are willing to risk \$100,000 or more, it aims to offer a return better than that of the Standard & Poor's 500 while having less volatility than a bond investment, he said. The strategy involves using "non-correlated" investments, such as distressed securities or takeover targets, he said.

Some private banks are specializing by aiming at market niches. Eastern Bank, in Salem, Massachusetts, tailors private-banking services to the needs of medical professionals.

For instance, doctors often want to have a substantial line of credit to even out the flow of receivables in their practices. Eastern also works to expedite applications for a personal, unsecured line of credit for its private banking customers, often exceeding the bank's maximum line of credit for retail customers.

OTHER banks are trying products that have traditionally been outside their purview. About a dozen banks so far have signed up with the Laughlin Group of Companies, a U.S. insurance group, which this year began a plan to market life insurance through banks. Among individual clients, the company is aiming in particular at the banks' personal trust, private banking and mortgage divisions to generate new customers.

Not everyone agrees that fancy new products are the best way to win new private banking customers, however. "We have a slightly more old-fashioned view," says Anthony Marshall, chief executive of the Private Bank & Trust Co. in London. Rather than advise clients to invest in newer instruments—especially risky ones like derivatives—the Private Bank places most of its clients' money in no-load mutual funds, which it selects on the basis of performance.

LAURA COLBY is on the staff of the *International Herald Tribune*.

U.S. Might Close a Foreign Trust Loophole

By Barbara Wall

PARIS — The offshore trust is an effective and perfectly legitimate tool for minimizing taxes and protecting assets from unwelcome claimants. But its useful days may be numbered.

New proposals contained in President Bill Clinton's recent budget aim to change the rules relating to a particularly popular brand of offshore trust, the foreign grantor trust. If accepted in their current form, the proposals will seriously limit opportunities for tax planning and drastically alter the way these trusts are structured.

Foreign grantor trusts, with non-U.S. grantors and U.S. beneficiaries, are generally set up by international families to benefit relatives living in the United States. A common example would be a trust set up by non-U.S.-resident parents to pay the tuition and living expenses of a child studying at a U.S. university.

Under current trust legislation, tax-free distributions from grantor trust assets can be made to U.S. residents because the grantor, who is outside the scope of U.S. taxation, is treated as having already received all trust income and gains.

Under the new proposals, grantor trust rules will no longer apply where the grantor is a non-U.S. taxpayer. Instead, the trust will be taxed like any other foreign trust. Consequently, U.S. beneficiaries will be liable for tax on distributions.

What is more, if the trust is used to accumulate income, as in the case of a living trust that pays out upon the death of the

grantor, an additional compound commercial interest charge will be levied on accumulated distributions.

Here is an example of how such a trust works:

The grantor, who resides outside the United States and does not pay U.S. taxes, puts \$1 million into a foreign grantor trust to benefit his daughter who lives in the United States. Each year all the income from the trust, or approximately \$100,000, is distributed to the daughter.

Under current legislation, these distributions would be tax-free. However, the proposals would tax the distributions as ordinary income. The amount of tax payable would, of course, depend on the beneficiaries' tax rate. But assuming a rate of 40 percent, the daughter, instead of receiving \$100,000, would end up with \$60,000 under the new law.

"The U.S. Treasury Department apparently believes that there may be as much as \$100 billion in foreign grantor trusts, funding as much as \$10 billion in untaxed transfers to U.S. persons, and they see the proposed change in tax status as likely to generate significant tax revenue," said John Goodwill, general counsel and chief trust officer for the Courts & Co. Group worldwide.

"I think they are mistaken in making that assumption," he added.

"Most of the existing foreign grantor trusts that we administer will be capable of being restructured to keep them tax-efficient for U.S. beneficiaries within the framework of the U.S. Internal Revenue Code, even assuming passage of the proposed legislation."

Philip Marcovici, a Zurich-based tax lawyer in the international law firm Baker & McKenzie, says that the proposals, once enacted, will affect the hundreds of foreign grantor trusts established by international families for relatives living in the United States.

But he says the trusts can be structured so that distributions from the trust assets are paid to the grantor or other non-U.S. members of the family, and then subsequently distributed as gifts to the U.S. beneficiaries. The current proposals will not change the tax-free status of assets given as gifts by non-U.S. individuals to U.S. citizens or residents.

In the example above, for instance, the foreign grantor with the daughter in the United States could structure the trust so that the grantor receives the income distributions and simply mails gift checks for the same amount to his daughter.

THIS structure may not be suitable if the grantor is liable for tax on the distributions in his home country. However, if the grantor has another daughter who lives in a country that does not tax the trust income, the trust could be structured so that this daughter takes the income distributions and gives them as gifts to her sister in the United States.

To add complication, the proposals would introduce detailed reporting requirements on foreign trusts making distributions to U.S. beneficiaries, including that the trust appoint a U.S. agent for the purpose of providing information to the Internal Revenue Service upon request.

"Sensibly, the proposed legislation does not seek to assert extraterritoriality to the extent of seeking to impose penalties on foreign trustees who disregard these requirements," Mr. Goodwill said. "However, failure by the trustee to comply will allow the Secretary of the Treasury to determine, at his own discretion, the U.S. tax consequences of distributions to U.S. beneficiaries, so that taking full account of the new reporting requirements has to be an important part of restructuring existing foreign grantor trusts."

Mr. Marcovici adds: "The proposed disclosure rules put trustees in a difficult position. Complications could arise in situations where a non-U.S. grantor puts money in, say, a British Virgin Islands trust for a relative living in the U.S. and then instructs the trustee not to disclose details of the trust."

"Non-disclosure of trust receipts and activities is perfectly legal under B.V.I. law, but if the trust beneficiary is subsequently penalized by the U.S. tax authorities, the beneficiary could try and sue the trustee for failure to disclose."

Mr. Marcovici says trustees can minimize their liabilities and protect their relationship with clients by, among other things, ensuring that the trust documentation states clearly whether the trustee or the client has the reporting responsibility.

The proposed new reporting requirements also apply to foreign trusts with U.S. grantors. Paul Hauser, a lawyer with the London office of U.S. law firm Bryan Cave, believes that asset protection trusts, or APTs, are being targeted.

"The Treasury fears that

APT's can be used to shelter assets from creditors in the event of the grantor being declared bankrupt," Mr. Hauser says.

"Concern has also been expressed by officials that some trusts are being used to launder money," he adds. "As APTs are generally tax-neutral, the fairness of employing tax rules for non-tax objectives is open to question."

TO grantors and beneficiaries tempted to risk flouting the proposed disclosure rules, Mr. Marcovici warns that the penalties for tax evasion are becoming more severe. He also points out that the chances of getting caught are fairly high.

"There are so many ways that the U.S. authorities can find out about hidden assets," he says. Information can come from a disgruntled personal secretary or an ex-spouse. People may even report tax evaders to claim the reward offered by the IRS—currently equivalent to 10 percent of any tax recovered.

There is still some doubt as to whether the new proposals will be accepted. Mr. Hauser believes that the proposed tax on distributions from foreign grantor trusts is highly likely to become law.

He is less convinced, however, that the disclosure rules will be applied. "At the end of the day it will be extremely difficult, not to mention expensive, for foreign trusts to comply with such detailed and complicated disclosure requirements."

BARBARA WALL is a financial journalist based in Paris.



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Searching for Safe Havens

Continued from Page 19

guaranteed the return of three-fourths of their money, to a maximum of £15,000.

As an example, he said that when BCCI went under, more than 3,000 investors applied for compensation at the bank's Isle of Man branch, and some £22.5 million has been paid out to meet their claims.

But some of the best-known offshore havens, such as Bermuda and the Cayman Islands, do not have deposit guarantee regulations on the books, and there are those who doubt that such regulations are worth the time and expense to put in place.

"Most people who invest in banks offshore will be thinking in terms of substantial sums of money," said Mr. Powell. "The relatively low level of protection afforded by most of the deposit schemes in place really won't mean too much to such investors."

In fact, argued Malcolm E. Williams, general manager of the Bermuda Monetary Authority, deposit guarantee plans could be harmful to the quality of regulation and the general level of financial prudence in an offshore center.

"The deposit plan in Bermuda is in effect the supervisory and regulatory system," he said. "In my view jurisdictions with deposit guarantee plans have allowed bank management to be more liberal with risk than they would otherwise have been."

"So what are the positive factors that investors should look for in choosing an offshore location?"

A spokesman for the Financial Services Supervision Department of the Cayman Islands recommended reading specialist magazines on offshore centers and taking advice from professional intermediaries. "To get a feel for the varying quality of financial services in the various centers."

Mr. Williams in Bermuda argued that the best approach to risk assessment was "practical one."

"Investing in a deposit is like investing in a house. You should get a professional adviser, one who is licensed and clearly supervised and regulated. You can never guarantee full protection, just as you can never guarantee that a house is perfectly sound. What you can do is reduce the risk."

Martin Baker

More Competition in Britain

Continued from Page 19

responded by installing new management and is looking to expand into new markets.

Meantime, its rivals are multiplying. Barclays PLC opened its first private banking outlets two years ago and aims at the top end of the market. It boasts average customer account balances of just over £1 million (\$1.6 million).

HSBC's Midland Bank unit moved into the market last summer with the first of 30 planned branches and plans to attack a far wider, but less affluent slice of the market with an account threshold of £100,000.

A growing number of foreign banks have entered the British private banking market alongside the longstanding London operations of banks like the big Swiss institutions. Particularly aggressive in recent years have been the French, paced by Banque Indosuez.

Gerard Lysaght, editor of *Private Banker International*, argues that among the potentially most important new entrants into the British market are a pair of American non-banks. Both Charles Schwab & Co. and Fidelity Brokerage have opened new offices in London, where they have been actively soliciting new accounts by offering many of the same products on offer at up-scale private banks, but at knock-down prices. "It is a development that a number of British private banks are quite worried about," explains Mr. Lysaght.

So great has the crush of new and expanding players become that one of the biggest gripes of private banks has become the difficulty in finding staff. "It is difficult to find people at the top end who can command the respect of wealthy people," says Nick Collier, a banking analyst with investment bankers Morgan Stanley.

He notes that part of the personnel problem is that private banks in Britain are moving ever deeper into active fund management for their clients. As they do so they find themselves competing head-on for account executives with investment banks offering the same service and employing the same sorts of people but typically paying them far higher, performance-related salaries.

The flood of new entrants to the private banking market also raises the question of whether there is enough affluence to go around.

Mr. Amplett thinks not. "There is a real danger that as everyone piles into this market we will end up cutting each other's throats," he says.

Some private bankers say that prices are already coming under pressure. While some banks still charge customers commission fees on top of basic fund management fees, others are beginning to offer a single all-inclusive fee.

Many private bankers see the day looming when competition will be based primarily on performance. "It will not be enough just to hold your client's hand, be nice and make sure his son's school fees are paid on time," says one veteran London private banker.

Nowhere is the increased competition more in evidence than at Coutts.

The bank has 37,000 customers in Britain, by far the largest private banking franchise in the land, and offices in 14 other countries. Yet pretax profit fell to £68 million last year on assets of £11 billion, from £79 million in 1993.

"There is a recognition in NatWest that Coutts can be made very significantly more profitable over the next five to seven years," says David Went, the man NatWest has chosen to do the job.

Mr. Went, a cigar-smoking Irish commercial banker with no history in private banking, was chosen over a host of the

sort of patrician types who have stood at the helm of Coutts for most of its 303-year history.

He sees gains in profitability coming from two sources: improved margins, especially in the domestic market, and expansion.

Mr. Went has brought in two dozen people whose résumés list firms like Lehman Brothers and Mercury Asset Management.

By pushing products like tax and investment advice, Coutts hopes to fatten its margins, just as many financial advisers seek to do by backing more straight banking services onto their menu of offerings.

It is overseas, however, where Coutts feels its greatest opportunities lie—particularly in America and the Far East. There, the attractions are faster-growing markets and significantly larger average accounts.

Mr. Went points out that the bulk of his customers in those two markets are "cross-border" investors. In the United States, for instance, he says most of the bank's customers are actually based in the Far East or Latin America.

To cater to their needs, Coutts is putting increasing emphasis on its trust business. Coutts has geared up its hiring of what it calls client relationship managers. At the beginning of last year the bank had 255 such people. By the end of the year that figure had jumped to 345, and this year Coutts plans to add 90 more.

Many people both inside and outside of Coutts freely admit that change was long overdue.

Analysts argue that Coutts' peers in terms of sheer age, venerable institutions like C. Hoare and Child & Co., have long since shrunk to insignificance in the market. "They will still be around but they have a tiny percentage of the market," says Morgan Stanley's Mr. Collier.

ERIK IPSEN is London correspondent of the *International Herald Tribune*.

PRIVATE BANKING / A SPECIAL REPORT

Selling
Old-Style
ServiceExpatriates Are
Target Market
For Paris Bank

By Joseph Fitchett

PARIS — Like many purveyors of luxury goods, Banque Transatlantique has its roots in the colonial era, when gentlemen's outfitters, makers of steamers, and recruiters of nannies and tutors were in great demand by expatriates — and when Banque Transatlantique was banker to the guardians of the French empire.

Founded a century ago, the bank maintained an office in the Foreign Ministry on the Quai d'Orsay in Paris and branches — sometimes only a room in a consulate — in every outpost where the diplomats and officers, doctors and schoolmasters who represented France overseas had personal business that needed attending to.

Transatlantique cashed government paychecks for civil servants, sent money back to France to make mortgage payments, and helped manage investments at long distance.

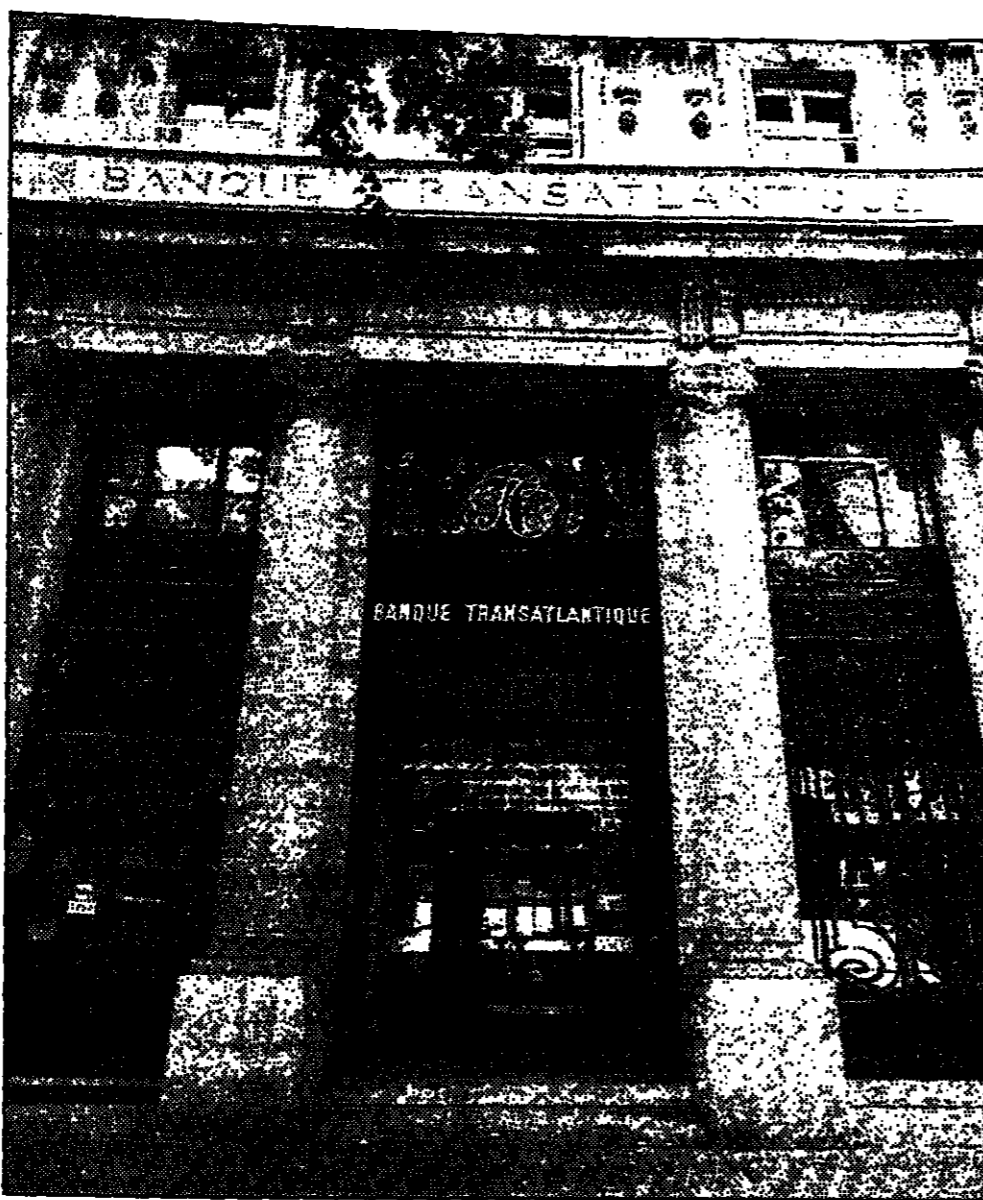
Bank officers advised expatriate parents about the right schools in France and then chaperoned foreign-service offspring between the Paris airport and the chosen campus.

They sent out French medicines and French-language best-sellers, and located and dispatched replacements when French-made equipment broke down far from home.

In those carriage-trade days, profits were not a problem for the bank's private owners. That era has passed, and Transatlantique is now owned by CIC, a big state-controlled French bank. But the services live on in Transatlantique's repertoire, and current management hopes that these century-old skills will prove precious assets in wooing a new generation of expatriates — French or otherwise.

Jean-Claude Imhoff, head of the bank's office in Washington, D.C., says the potential Transatlantique customer is "anyone — a French person living in the United States, an American in France, or someone of any other nationality living abroad — who has salary or other financial interests or property holdings straddling two countries."

Like other private banks, Transatlantique emphasizes a patrimonial approach to financial management. "Americans in France, like French in America, are affected by overlapping government rules and market trends in Paris and Washington — and both groups are eager to



Banque Transatlantique wants to be the banker of choice for executives abroad.

capitalize on the differences whenever it's legally possible," says a bank executive.

The bank's strategy assumes that the increasing globalization of the world economy will fuel a healthy growth in the number of corporate executives who go abroad.

At the same time, with multinational companies becoming increasingly cost-conscious, these new-generation expatriates, unlike their colonial predecessors, often find they must manage most of their settling-in and personal-finance problems on their own — from buying a new house to setting up a college fund for the children.

That is where Transatlantique hopes to come in, by offering a range of relocation and financial services such as opening a bank account, helping with house-hunting, registering cars — even locating a good pediatrician.

The bank typically provides these non-bank services on a pay-as-you-go basis — \$10 for an errand, \$100 for shepherding children between airports. And although some of the bank's clients are wealthy, a Transatlantique spokesman says an average balance of only around \$5,000 is "desired." An executive at a rival institution characterizes Transatlantique's service as "private banking for those who really need it but rarely think that they can afford it."

The bank sees its personal

services as the building blocks of a closer, more traditional private-banking relationship with clients, where the questions how to minimize taxes, where to find a property manager, how to raise money for a home purchase — are potentially more complicated.

"We are constantly inventing financial products aimed at expatriates' special needs," says Mr. Imhoff, citing a trust fund just opened by Banque Transatlantique-Jersey, a recently acquired subsidiary. The multiple-currency fund is aimed at executives who need maximum exchange-rate flexibility at whatever time in the future their benefits are paid out.

While Transatlantique's managers aim to be in the main business of banking — namely, making assets grow — they take their hand-holding responsibilities very seriously, because experience has shown that such services are what can engender customer loyalty.

Transatlantique says it can provide these services reliably and cost-effectively because of its long-standing connections in major cities with lawyers, accountants and other professionals who have special familiarity with expatriates' needs.

For example, the bank's links with GAN, one of France's biggest state-owned insurance companies, enables Transatlantique to get waivers on guarantee payments that foreign companies are usually required to put down if they want housing for their executives in

France — saving the companies the equivalent of several thousand dollars.

But providing this kind of service is not without risk. "Our experience has taught us that we put our credibility on the line every time we promise a service, because if something goes wrong, it's Transatlantique who gets blamed for making a bum recommendation," says an executive of the bank.

CUSTOMER mobility, a headache for any bank, is a constant concern at Transatlantique. The bank has forged links with 350 banks around the world that will cash checks for Transatlantique clients. A new service enables depositors to call for details about their accounts 24 hours a day.

Ultimately, the bank's management hopes that multinational companies will use the bank in much the same way the French Foreign Ministry did: to handle the financial and relocation needs of employees on a permanent basis.

In any event, the bank seems to understand clearly where its competitive advantage lies. A veteran confides: "I've still got a little black book that can show me where to get spare parts for any home appliance, even ones that aren't even being manufactured anymore. And I keep on adding pages with new ones."

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

Technology Provides a Critical Edge

By Martin Baker

PRIVATE banking has an image problem. The real world of private banking has moved a long way from the stereotype of anonymous men in gray suits handling large sums of money somewhere in Switzerland. The business of private banking is conducted all around the world. It is part of modern financial life.

Yet some private bankers are nervous about letting their clients know just how highly automated some aspects of the business are.

Why? Because stereotypes die hard, and the word "computer" to a conservative private banking client can conjure up images of delinquent teenage hackers invading their privacy and transferring large amounts of money out of their accounts. All of which is a very long way indeed from the time-honored private banking concepts of personal service and extreme discretion.

But James W. Zeigon, an executive of Chase Manhattan Private Bank, argues that the modern, technically advanced nature of some private banking operations is compatible with traditional notions of the service.

"There's a lot of misinformation about technology — for example, that it eliminates the human touch, or that it subordinates people to machines. We're finding that just the opposite is true. Chase Manhattan Private Bank's technologies enable people to communicate better, and give our customers greater control of their investments."

"We think a whole new level of partnership between our managers and clients is taking shape, and better technology is the reason why," Mr. Zeigon says. Others argue that the personal nature of private banking really does preclude the industry from becoming too high-tech.

"Where do we get our customers from?" asks Roger Knight, senior manager of private banking at ANZ Banking Group in London. "A recent survey of private banking showed that roughly one-third of private banking business came from within a bank's client base, and one-third from

personal referral from existing customers. This is a business that tends to be very much about people."

Mr. Knight also believes that technology will play a large role only at the very biggest banks: "If they have a large correspondent banking and cor-

adds Cameron McPhail, chief executive of Royal Bank of Scotland International, "but you encounter all sorts of problems once you start trying to cater for the various different phone systems around the world."

Mr. McPhail says that inter-

works over the past four years, is video networking.

Taking the example of meetings in New York, London, Geneva and San Francisco, Mr. Zeigon says that a link can be established in five seconds, making it possible for specialists in these four locations to advise clients simultaneously through a visual and text connection.

Andrew Costard, assistant director of Guinness Mahon Private Bank in London, adds that one of the most useful and common ways of using technology is to "build up a picture of ongoing static information" about a client. This can include personal details, notes of phone calls, transactions, even whether one of the client's children has been sick recently.

Such information, argues Mr. Costard, can be important to the "relationship-management" side of private banking.

IN the future, Mr. Costard expects short-term developments to include an increased use of home-banking products and electronic mail.

"Clients will expect to be communicated with in this way, as so many of them already have access to screens," he says. "The demand isn't great now, but it may well be in two to three years."

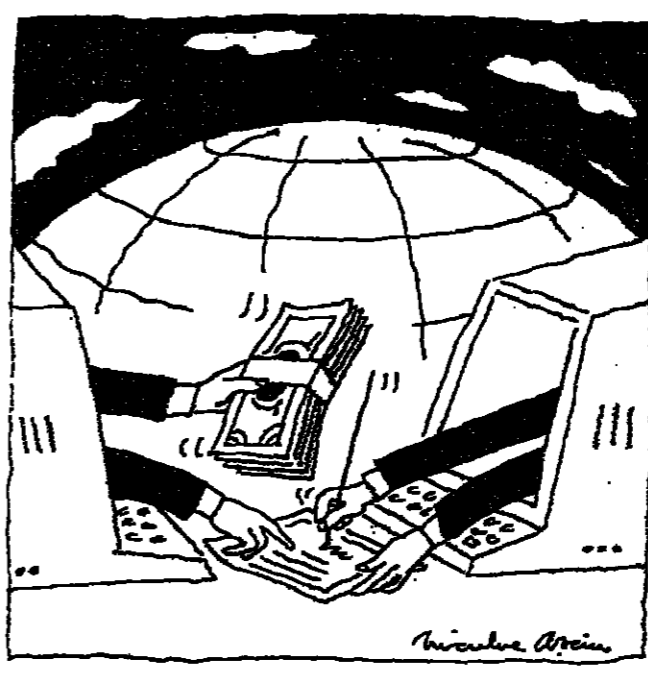
Cameron McPhail at RBSI expects it will take "five to 10 years before the bulk of clients are technically up to speed."

But will increased use of technology offer a fertile hunting ground for computer hackers?

It depends on the security systems the banks put in place. At Chase Manhattan, clients with access to its data system have secure identity cards. Chase employees are not allowed access to the Internet, and the bank uses encryption devices.

The need for such precautions is clear to most private bankers, many of whom are nervous at the idea of data passing around the world electronically.

"Clearly, one can see the risks," says Mr. Costard of Guinness Mahon. "But any sensible bank will take proper precautions. There's a security risk in having paper files, which are, once they've been obtained, much easier to read. Computers are not foolproof, but they offer a greater degree of security."

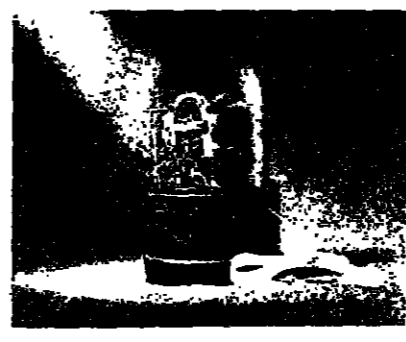


porate network, they may be able to adapt something suitable for private banking needs at relatively little cost. "Smaller banks, he says, may find the cost of developing new technologies "unacceptable."

NEVERTHELESS, private banks are making use of technology as a competitive tool. New products are being launched all the time. Just last week Royal Bank of Scotland International, the Jersey-based private banking arm of the Royal Bank of Scotland, announced a new round-the-clock telephone banking service for its offshore customers, beginning in July.

It makes sense for customers living overseas, in whatever time zone, to be able to make personal contact with their bank whenever it is convenient for them," says Peter Shirreffs, head of the Royal Bank of Scotland's offshore division.

"Automatic voice response would be the logical next step."



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SPORTS

Rangers Oust Nordiques, Penguins Tie Capitals

The Associated Press
The New York Rangers didn't want to go back to Quebec and its hostile fans. And they won't have to.

The defending Stanley Cup champions built a big early lead with the help of two goals from Alexei Kovalev and eliminated the top-seeded Quebec Nordiques, 4-2, in Tuesday night's Game 6 of the first-round series.

The Rangers, who struggled to make the playoffs, now play the Philadelphia Flyers in the second round this weekend. The Nordiques headed home to await the fate of their team. They learned hours before the game that they would probably

NHL PLAYOFFS

be moved to Denver because management had rejected a government plan aimed at keeping the financially troubled team in Quebec.

The Nordiques, who had the second-best record in the NHL and the second-best power play, finally managed their first power-play goal against the Rangers since the first game, by Peter Forsberg at 5:34 of the third, but it was far too late.

Kovalev, who got nine goals and 12 assists in 23 games of last year's playoffs, had four goals and five assists in six games against the Nordiques.

"When Alex is going, it's like adding a couple of nuclear missiles to your jet," said Rangers forward Nick Kyrenko.

Kovalev scored on a breakaway at 8:26 of the first period after being left alone on the left side. Then he scored from the left circle at 10:18 of the second against Ste-

phane Fiset, who had replaced Jocelyn Thibault in goal.

Earlier, Andy Van Hellemond, considered one of the NHL's best referees, was fined by the league which, in a highly unusual move, publicly admitted he made a "glaring error in judgment" in disallowing a goal by Quebec's Joe Sakic in Game 4 of the series last Friday.

Penguins 7, Capitals 1: Jaromir Jagr and Luc Robitaille each scored twice in a four-goal first period as visiting Pittsburgh tied its series at 3-3.

The deciding game will be played Thursday night in Pittsburgh. The Penguins will be seeking to duplicate their comeback of 1992, when they rallied from a 3-1 deficit to oust Washington on the way to winning the Stanley Cup.

Pittsburgh had gone 0-5 in its last five playoff road games against Washington, including 6-2 losses in Games 3 and 4. But the Capitals, who wrestled away the home-ice advantage by winning Game 1 in Pittsburgh, gave it back with a horrid performance.

They went through three goals in matching the most lopsided playoff loss in franchise history. And, averaging five goals a game in the series, they needed Keith Jones's goal with just 1:27 left to avoid being blanked for only the fourth time in 109 postseason contests.

Ken Wregget stopped 30 shots, Tomas Sandstrom scored twice and Robitaille had four points for the Penguins, who staged off elimination Sunday at home with a 6-5 overtime victory. No late heroics were needed this time as they built a 4-0 lead in the opening 12:02.



The Giants were beaten when Glenallen Hill couldn't snag Mark Grace's homer.

There's Justice (D.) in Atlanta
His 4 Hits and 4 RBIs Help Rout Rockies

The Associated Press

The next time David Justice tells Bobby Cox he's ready to play, the manager won't hesitate to write his name on the lineup card.

After missing eight games with a bruised nerve in his right shoulder, Justice took batting practice before Tuesday night's Atlanta-Colorado game, then convinced Cox he was ready to play.

"I told him no at first," Cox said. "He said whatever he could do tomorrow night he could do tonight. Whatever he did today, he may as well do tomorrow."

That would mean quite a season: Justice had four hits and as many RBIs in the Braves' 15-3 victory, which gave them a 23-2 record against Colorado, and an 11-1 mark at home.

"I think I did pretty good," he said after hitting a two-run homer and, with Fred McGriff, getting eight of the Braves' 20 hits. They also got home runs from Jeff Blauser and rookies Jose Oliva and Chipper Jones.

It was only the fourth victory in 12 games for the Braves. "I thought they were not hitting," said the Rockies' manager, Don Baylor. "They only hit when we came to town. They kick you every way, at will. They do whatever they want to do. I just want to know how much more embarrassing can it be, 30 to nothing?"

Cubs 2, Giants 0: Jamie Navarro held San Francisco to three hits over 8½ innings as Chicago (12-6), off to its best start since 1985, won a second straight game at home.

Navarro, who retired 18 straight at one point, struck out six and walked none. Randy Myers came on with a man on

NL ROUNDUP

first in the ninth and retired Barry Bonds on a deep fly to right for his sixth save.

Mark Grace, with a first-inning homer, and Rey Sanchez, with a run-scoring fielder's choice in the third, proved the difference against Terry Mulholland, who went the distance and allowed six hits.

Phillies 9, Marlins 7: Heathcliff Slocumb blew a save opportunity for the first time this season, when Gary Sheffield's grand slam with two outs in the bottom of the ninth tied the score at 7. But the Phillies got him his first victory of the year with two runs in the 10th and improved their record to a major-league-best, 14-5.

Sheffield was the first batter faced by Slocumb, who leads the majors with eight saves. His second pitch was hit over the left-field fence for Sheffield's third career grand slam.

The Phillies scored in the 10th against Robb Nen on an

RBI groundout by Mickey Morandini and a run-scoring single by Dave Hollins.

Expos 7, Reds 3: Shane Andrews, Mark Grudzielanek and Tony Tarasco homered for Montreal, while Wil Cordero got four hits and Roberto Kelly three of their team's 14 against visiting Cincinnati.

Mets 1, Astros 0: Bobby Jones and Doug Henry of New York combined on a three-hitter as Houston lost its fourth straight game at home. The Astros are 1-6 there this season.

Chris Jones, in his first game since being purchased from Class AAA Norfolk, got the first hit off Shane Reynolds with one out in the third. He was sacrificed to second by Bobby Jones and scored on Brett Butler's single to center.

Pirates 2, Dodgers 0: Dave Clark drove in both runs, with a first-inning single and his first homer of the season, in the sixth, as Pittsburgh won in Los Angeles.

Padres 1, Cardinals 0: Eddie Williams' single scored Tony Gwynn in the bottom of the ninth to give San Diego its 11th straight home victory over St. Louis, a streak dating to July 8, 1992.

Gwynn led off the ninth with a single, took second on a wild pitch and scored on Williams' single.

Vaughn Hits Nos. 9, 10 as Bosox Win

The Associated Press

Mo Vaughn is in a groove. He leads the American League in home runs with 10, and he's carrying the Boston Red Sox.

"He's swinging good, his average is coming up. He's hit a lot of balls right on the screws, even for outs," their manager, Kevin Kennedy, said after a 5-0 victory in Milwaukee on Tues-

AL ROUNDUP

day night. "He's locked in and he's just getting better and better. He's got some kind of talent with that bat."

Vaughn's bases-empty homer off Bob Scanlan in the second inning traveled 430 feet (130 meters) and gave Boston a 2-0 lead. Vaughn led off the eighth with a 415-foot homer off Scanlan, making it 5-0.

Vaughn has six homers in his last six games and 10 of his last 15 hits are homers. He was happy with a sacrifice fly that put Boston ahead, 3-0.

"Hitting home runs is one thing," Vaughn said. "But hitting in situations is totally different. That was a better piece of hitting."

Teammate Erik Hanson pitched a four-hitter, struck out 10, walked none and handed the Brewers their third shutout in their last five games. He lowered his league-leading earned-run average to 0.71, allowing just one hit after the third inning.

The Brewers have been shut down by David Cone, Pat Hentgen and Hanson in their last three games.

"We've run into some tough pitchers, but we have an anemic offense right now," said the Brewers' manager Phil Garner. "We can't do anything."

Indians 10, Yankees 5: Albert Belle went 3-for-4 with a double, and Manny Ramirez and Paul Sorrento homered as visiting Cleveland ended an 11-game losing streak to New York that began in 1993.

The Indians won for the 11th time in 14 games overall.

Rangers 6, Blue Jays 1: Kenny Rogers won his third straight start, but left with a strained hamstring after allowing two hits in five shutout innings, striking out seven and walking two in Arlington, Texas.

Tigers 9, Orioles 8: Travis Fryman hit a two-run double in the ninth in Baltimore as Detroit overcame two two-run homers by Rafael Palmeiro.

Baltimore, which has lost five of six, overcame a 6-2 deficit in the fourth, taking a 7-6 lead on Cal Ripken's homer.

Athletics 7, White Sox 1: Mark McGwire ran his hitting streak to a career-high 13 games, going 2-for-2 with a go-ahead home run.

Angels 9, Twins 6: Tony Phillips, with a man on, and Damon Easley hit consecutive homers in the sixth as visiting California rallied from a 6-0 deficit.

Royals 4, Mariners 2: Pat Borders and Joe Randa homered as Kansas City rallied to hand visiting Seattle its seventh loss in 10 games.

SCOREBOARD

Major League Standings

Team	W	L	Pct.	GB
East Division				
Boston	12	5	.706	—
New York	10	8	.556	2½
Toronto	9	10	.474	4
Detroit	8	10	.444	4½
Baltimore	6	11	.353	6
Central Division				
Cleveland	12	5	.706	—
Minnesota	10	8	.556	2½
Kansas City	9	9	.500	3
Chicago	6	13	.316	7
St. Louis	5	14	.263	8
West Division				
California	11	8	.579	—
Seattle	9	9	.500	1
Oakland	10	8	.556	1½
Texas	9	11	.450	2½
National League				
East Division				
Philadelphia	14	5	.737	—
Atlanta	12	8	.600	2½
Montreal	10	9	.524	3
New York	8	11	.421	4½
Florida	5	14	.263	7
Central Division				
Chicago	12	6	.667	—
St. Louis	9	9	.500	3
San Francisco	9	11	.450	4
Cincinnati	8	10	.444	5
Pittsburgh	5	13	.278	7
West Division				
Colorado	12	6	.667	—
Los Angeles	10	9	.524	2
San Francisco	10	10	.500	2½
San Diego	9	11	.450	3

Tuesday's Line Scores

Team	W	L	Pct.	GB
American League				
Cleveland	9	2	.818	—
New York	8	1	.889	—
Los Angeles	7	1	.875	—
Seattle	6	1	.857	—
San Francisco	5	1	.833	—
San Diego	4	1	.800	—
Philadelphia	3	1	.750	—
Atlanta	2	1	.667	—
Chicago	1	1	.500	—
National League				
Philadelphia	9	2	.818	—
Atlanta	8	1	.889	—
San Francisco	7	1	.875	—
Seattle	6	1	.857	—
San Francisco	5	1	.833	—
San Diego	4	1	.800	—
Philadelphia	3	1	.750	—
Atlanta	2	1	.667	—
Chicago	1	1	.500	—

DENNIS THE MENACE



HOW DOES YOUR STOMACH FEEL LINE THE SAME FOR YOU LIKE GRANDPA?

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JUMBLE

THAT SCRAMBLED WORD GAME by Merriam-Webster and John Langstaff

Use your mind for a fun and challenging word game. Can you solve the word?

Answer: DOME

WEJEL

STOLIE

FLATES

Answer: DOME

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PEANUTS



HERE'S THE WORLD FAMOUS SERGEANT OF THE FOREIGN LEGION LEADING HIS TROOPS ACROSS THE DESERT.

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CALVIN AND HOBBES



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WIZARD OF ID



HERE'S THE WORLD FAM

Parma Wins UEFA's Cup

MILAN — Parma won the UEFA Cup on Wednesday night after a headed goal by Dino Baggio secured his team a 1-1 draw in a highly charged second-leg clash with its Italian arch-rival Juventus.

Baggio had scored the lone goal in the first-leg encounter two weeks ago.

It was Parma's first UEFA Cup title, and its second European title within three years. It won the 1993 Cup Winners' Cup, beating Anderlecht, and last year lost in the final of that tournament to Arsenal.

Juventus dominated much of the second match and was in position to overturn its first-leg deficit when Gianluca Vialli scored with a spectacular volley in the 33d minute.

But a combination of scrappy finishing and fine saves by Parma goalkeeper Luca Bucci kept Juventus at bay until the 53d minute, when Baggio headed home a cross from substitute Roberto Mussi.

"We were lucky," Parma's manager, Nereo Ratti, said after a bad-tempered match in which seven players were booked.

The top two teams in Italy this season are to meet again on Sunday, with Juventus needing just a draw to guarantee itself the league title. They then play each other twice more in the two-leg Italian Cup final.

The match got off to a frenetic start, with Juventus striker Fabrizio Ravanello twice shooting wide in the first 10 minutes.

Teammate Roberto Baggio then got clear in the box in the 15th minute and slipped a perfectly timed ball to Vialli, who just failed to squeeze it past Bucci.

The pressure finally paid off when a pinpoint long-distance pass from Moreno Torricelli sailed over the defense to land at the feet of Vialli, charging into the area.

The shaven-headed striker picked the ball up on the volley and blasted it into the corner of the goal past the diving Bucci.



STAR-CROSSED — David Seaman (at rear left), who with Ian Wright (center) and Tony Adams did their best for international press relations as the Arsenal team arrived Wednesday in Beijing, broke his right ankle later in the day during the first match of the English club's Asian tour. Seaman, who was in goal when Zaragoza's almost unbelievable shot in overtime beat Arsenal in the Cup Winners' Cup final seven days earlier, was dribbling the ball out of his area in Beijing when he slipped on a divot.

Magic Half Has the Bulls in a Tailspin

Lakers and Rockets Both Find There's New Life in Overtime

By Richard Justice
Washington Post Service

ORLANDO, Florida — The Chicago Bulls were given a 24-minute head start, for two quarters controlling the game, playing it at their pace and their style, doing almost everything they wanted except putting away the Orlando Magic.

And that one mistake was one too many, because the Magic dismantled the Bulls in the second half, looking younger and fresher and very much the better team in rolling to a 103-95 victory in Game 5 of this Eastern Conference semifinal.

The Magic lead the best-of-7 series by 3-2 and can end it on Thursday night in Chicago. Even if the Bulls force a seventh game, they'll have to play it here, where the Magic are 42-4 this season.

We have to go for the kill Thursday," said their center of attention, Shaquille O'Neal.

They appear more than capable of doing that because, for the first time since this series began, the Magic looked like the team capable of taking control. They survived on a night when O'Neal missed 10 of his 12 shots in the first half, and could because Dennis Scott kept pouring in 3-pointers and Horace Grant kept slipping away from the double-team coverage against O'Neal to score.

Grant continued his phenomenal shooting — he's now 70 percent for the series — by making 10 of 13 field goals and scoring 24 points. O'Neal overcame a slow start to score 23 points, and he also grabbed 22 rebounds, with an astounding 14 on the offensive end.

And then there was Scott, put into the starting lineup last week to give Orlando another weapon, scoring 22 points and making 5 of his 9 shots from 3-point range. Point guard Penny Hardaway (8-of-17 shooting) had 19 points and 11 assists.

The Magic had too many weapons for a Chicago team that had just one that was consistent. Michael Jordan played one of his best post-retirement games, with 39 points, but he had no help. Scottie Pippen was 4 for 13 from the field and Toni Kukoc seemed only barely in the game, going 2 for 6 and scoring five points in 18 minutes.

After trailing by 50-43 at halftime, the Magic took charge with 35 points in the third quarter. For the second half, Orlando shot 61 percent; Chicago just 39.

"We think they gave it their best shot and we played horrible," O'Neal said. "This was a gut check for us. We came out in the second half and played hard and now we have to go for the win on Thursday."

The Magic wanted to run in the second half, and the Bulls,

who had controlled the pace in the opening 24 minutes, made the mistake of letting that happen. Their 7-point lead became a 2-point deficit in the first 3 minutes. 20 seconds of that half, and that was the beginning of an unstoppable roll.

"We played into their hands in the second half," said Jordan. "We didn't fall prey to that in the first half. When you get into a faster-paced game, it takes the double team away from Shaq and that's what they're looking for. It's hard because we've got

a lot of guys who like that kind of game. In a half-court game, we can cover our loopholes."

In the night's other two games, The Associated Press reported:

Lakers 98, Spurs 96: The San Antonio Spurs, playing at home, had the Western Conference final in sight until Nick Van Exel got in the way.

Van Exel took a pass from Vladi Divac after a scramble for a loose ball and sank a 3-pointer with a half-second left to give Los Angeles an overtime

victory in Game 5 of the conference semifinals.

The Spurs still lead the best-of-7 series by 3-2. Game 6 is Thursday night at the Forum.

Van Exel also hit a 3-pointer with 10 seconds left in regulation to make it 88-88 after the Lakers had gone more than nine minutes without a field goal. Those two 3-pointers were his only ones of the game; he had missed his first five.

With the Spurs leading, 96-95, the Lakers' Elden Campbell missed a finger-roll with four seconds left. Dennis Rodman, back from a one-game exile imposed by San Antonio's coach Bob Hill, nearly had the rebound in his hands, but teammate David Robinson tipped the ball away.

Divac grabbed it, and with the Lakers' coach, Del Harris, frantically trying to get a timeout, the center passed to Van Exel. He quickly stepped forward for the high-arching winner.

Rodman, after a public feud with Hill for days, didn't start, but finished with 11 points and 15 rebounds.

Rockets 103, Suns 97: In overtime in Phoenix, the Houston Rockets proved again why they are hard to finish off.

The defending champions ran their record to 6-0 for playoff games the last two years in which a loss meant elimination. The Suns still lead that series, 3-2, with Game 6 in Houston on Thursday night.

Hakeem Olajuwon scored 31 points for the Rockets, with his turnaround jumper from the lane, the final basket of regulation, making it 92-92.

"I can't believe we pulled this one out," he said.

Olajuwon, who also had 16 rebounds, scored 23 seconds into overtime, but Charles Barkley tied it at 94 for Phoenix with 3:43 to play. Robert Horry's 3-pointer gave the Rockets the lead for good with 3:12 to go, and he got a rebound basket with 2:01 left, putting Houston ahead by 99-96.

Kevin Johnson scored 28 points and Barkley had 17 points and 20 rebounds, but missed 11 straight shots in one stretch.

A.C. Green had a playoff career-high 20 rebounds to go with 11 points, and the Suns had a huge rebounding edge, 68-49, but couldn't offset their 17 turnovers, which resulted in 17 points for the Rockets.

The Suns missed 13 of their first 17 shots in the fourth quarter and finished with just 13 points in the period.

Barkley missed all seven shots and his first five free throws in the second half before making a free throw that gave the Suns a 92-90 lead with 17 seconds left. Olajuwon tied it with eight seconds left.



Michael Jordan left the Magic in his wake, for a half.

Jordan Ends Silence: 'So What's the Big Hype?'

By Mike Wise
New York Times Service

ORLANDO, Florida — Michael Jordan finally gave his State of the Air address, breaking an eight-day silence during the Eastern Conference semifinal series between his Chicago Bulls and the Orlando Magic.

Jordan spoke freely about his reason for changing jersey numbers, which cost his team \$25,000, as well as the Bulls' chances of winning another title and his immediate future in the game.

With a news media contingent numbering nearly 30, who have tripped over one another the past week following Jordan and waiting for him to speak, he stopped a few steps off the Orlando Arena floor on the way back to the team hotel and finally granted a few precious sound bites.

"It's something that makes me comfortable," he said of the switch in numbers

from 45 to 23 that suddenly made him one of the league's iconoclasts.

"I didn't switch to a number I'm not used to. So what's the big hype? The big hype, basically, is that they wouldn't let him change," Jordan said, alluding to Orlando's Shaquille O'Neal, "which he has a right to change if he challenges the rule. There's no rule that says I can't change my jersey."

Jordan chose to wear the No. 45 in March because he said No. 23 was the last number his father saw him play in, but the new number didn't fit as well, he said. "If it's a mental confidence, then it's a mental confidence, and I think it has been. I'm going to stick with it until I finish playing basketball. That's me. Twenty-three is me. So why try to be something else, even though I know my father has never seen me in 45. It was a choice I chose to make."

He also addressed Nick Anderson's comments after Game 1. The Magic guard said, "No. 45 is not No. 23," and added

that Jordan is not as explosive at age 32 as he was at 28 or 29.

"I didn't take that in a harsh way," Jordan said. "I set such a high standard two years ago, and in 20 games I haven't lived up to that. And that's what I'm going to be judged on. I have to live up to my own expectations."

He never gave a reason for his silence, but the threat of further league fines against the franchise may have had much to do with his ending it.

Brian McInyre, the league's vice president for public relations, confirmed that the Bulls faced possible fines if their players failed to cooperate with the media.

In speaking about his future in the NBA, Jordan made no guarantees on how long he intends to play, beyond next season.

"Everyone has an opinion about Michael Jordan except Michael Jordan," he said. "I came back for this season and next season, and from that point on, we have to evaluate it."

SIDELINES

Kidd and Hill Tie for Rookie Award

NEW YORK (AP) — In the first tie in 24 years, Jason Kidd of the Dallas Mavericks and Grant Hill of the Detroit Pistons shared the NBA Rookie of the Year award Wednesday.

Each received 43 of a possible 105 votes from a nationwide panel of sports writers and broadcasters. Milwaukee's Glenn Robinson was third with 15. Also receiving votes were Eddie Jones of the Los Angeles Lakers (2) and Sacramento's Brian Grant (1) and Washington's Juwan Howard (1).

Chris Ford, coach of the Boston Celtics for five years as they slid from the Larry Bird era into mediocrity, was fired.

George Karl, whose Seattle SuperSonics were ousted from the playoffs' first round for a second year, will return as coach, the club said.

NCAA Approves Overtime for Bowls

OVERLAND PARK, Kansas (AP) — The NCAA, in a historic move, said Wednesday it had approved overtime for Division I college bowl games, starting with the upcoming season.

In overtime, each team would get one offensive series, beginning on the opponent's 25-yard line. Possession would end when a team scores, turns the ball over or fails to get a first down. Overtimes would continue until there was no tie.

For the Record

Marco Van Basten, AC Milan's Dutch striker long sidelined by a slow-healing ankle injury, said after his latest medical examination that he will talk of his "sporting future" at a news conference Saturday.

Rafael Suster was fired as coach of the Boston Bruins after three seasons, in two of which the team was eliminated in the first round of the NHL playoffs.

Bretnel Stashman, the St. Louis Blues' forward, fractured his right ankle in Monday's overtime loss to Vancouver.

Andre Agassi was fined \$2,500 by the ATP tour for his exchange with a spectator at last week's German Open in Hamburg.

Joe Montana, the four-time Super Bowl champion quarterback, joined NBC-TV as a commentator on its pregame show "NFL Live," just a month after retiring from football.

Singapore will host the 1996 Johnnie Walker Classic golf tournament from Jan. 23 to 28, the company said.

Hector (Tee) Blake, 82, who coached the Montreal Canadiens to eight Stanley Cup titles after helping win two during a long and award-winning playing career, died from Alzheimer's disease.

German Court Backs Krabbe in IAAF Suit

The Associated Press

MUNICH — The protracted battle between Katrin Krabbe and the governing body of athletics took another turn Wednesday when the former world champion sprinter won a court reversal of her drug suspension.

The Regional Court in Munich ruled that the International Amateur Athletic Federation and the German federation, known as the DLV, were "not competent" to impose the ban.

The court ordered that Krabbe be paid damages for loss of income, reportedly as much as 4 million marks (\$2.7 million), although no sum was set pending appeal. The IAAF quickly said it would take the case to a higher court.

The ruling was another chapter in the long-running battle over who has jurisdiction in drug cases: the IAAF, which provides incentive for top athletes and set the rules on drugs, or the civil courts that protect the athletes' legal rights.

Helmut Ditzel, president of the DLV, which has sided with Krabbe although a co-defendant, argued that "the claim for damages should not be made on us, but rather on the IAAF." The court, however, ruled that the DLV is a branch of the IAAF and equally liable.

Krabbe, 25, who is expecting a baby this month, has said she was retiring from competition.

The 1991 world champion in the 100 and 200 meter sprints, she was a product of former East Germany's sports machine, which used performance-enhancing drugs, though she has always denied using banned substances knowingly.

Tests taken while she and two teammates, Grit Breuer and Manuela Derr, were training in South Africa in 1992 showed that all three had used clenbuterol. Krabbe admitted having taken the anabolic stimulant, but said she hadn't known it was banned. The IAAF said the three should be suspended for four years.

But the DLV, which questioned whether it had the authority under German law to conduct random tests, instead suspended the runners for one year for unsportsmanlike conduct. In response, the IAAF imposed an additional two-year ban on all three for bringing the sport into disrepute.

That suspension was to expire Aug. 23, shortly after the world championships in Gothenburg, Sweden.

The Munich court upheld the DLV's contention that the out-of-competition test was not legal, while the IAAF's spokesman, Christopher Winner, said from his headquarters in Monte Carlo that "we do not believe it is the competence of civil courts to rule in federation matters, and we stand by our rules."

CROSSWORD

ACROSS

- 1 Nightcap
- 3 Compartment
- 8 In the sky
- 14 Zenith

15

- Enervation
- Living off another's largesse
- "Loveboy" singer Billy

19

- Yarn spinner
- Brace for trouble
- Wild card, often
- Actor Neeson
- Elusive
- Kumquat
- Lunar valley
- Starry art
- Makes sale
- Experimental electrical materials
- Hag
- Center
- Montgomery of film
- Paddle Five-O
- "Hawaii Five-O" actor Fong
- Smooth
- Burst
- Fly alone
- Ear melody
- Loser to Dempsey, 9/14/23
- One who can make brown eyes blue?

25

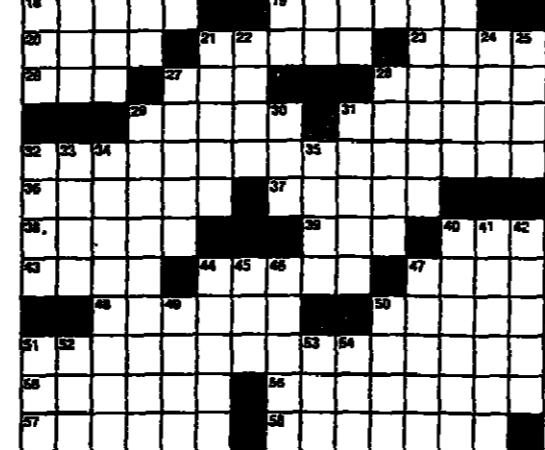
- Red-starred aircraft
- Swiss river
- Mishap
- "Baby" (Cricketer's title)
- Gloabal Abbr.
- Burns
- Texas metropolis
- Roman trio
- Campaigned
- Early synthesizers
- Carpet cleaner, briefly
- Plasters
- Inn, in combinations
- Daminozide, familiarly
- Quaint residential street
- Sausage
- Crop up again
- Kind of tomato
- Lorne Michaels's program, for short
- Coin of old
- Wallop
- Whiskly-skinned fruit
- Detainee
- Postcard, e.g.

31

- Kind of market
- Herb of thorns
- Anchor
- Eyesores or eye sores
- Photo
- Rehab candidate

47

- From then on
- "Heartache" (1978 hit)
- Padma
- Cleft
- Letter from Plato
- Scott's refusal
- Musical engagement



Puzzle by Chuck Dierken © New York Times/Edited by Will Shortz

Solution to Puzzle of May 17

ACROSS
1. NIGHT
3. COMPARTMENT
8. SKY
14. ZENITH
15. ENERVATION
19. YARN
25. SWISS
31. MARKET
47. FROM THEN ON
DOWN
1. NIGHTCAP
3. COMPARTMENT
8. IN THE SKY
14. ZENITH
15. ENERVATION
19. YARN
25. SWISS
31. MARKET
47. FROM THEN ON

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ART BUCHWALD

Falling Bridges

WASHINGTON — This city has decided not to allot any money for the repair of roads and bridges this year. It's a wise decision. If you want to save your city money, and not have anyone alarmed about it, the best thing to do is to refuse to repair the bridges. No one bothers to look at the underside of a structure unless he lives there.

One of my best friends in Washington is Gibson, who sleeps on the banks of the Potomac River. "Did you know that all the bridges in Washington are falling down?" he whispered. "Where did you hear that?" I asked.

"I didn't hear it. Every time I go to sleep a piece of concrete falls on my head. Camping out under a bridge these days is not as much fun as it used to be."



Buchwald

I said, "Do you think it's dangerous?"

"Well, I'm not an engineer, but when I hear an eight-wheeler barreling overhead I get on my knees and ask the Lord to keep it from crashing down onto the embankment."

"Does anyone else know what terrible shape our bridges are in?"

Gibson responded, "Oh, they know, all right. I was sack-

Love and Losses

LONDON — The award-winning musical "The Love of the Queen" is to close in London after losing up to £750,000 (\$1.17 million).

ing out the other day when the mayor and his aide came down to look at the underside of the bridge.

"The mayor said, 'Don't tell the public. It will only frighten Virginia commuters.' The aide asked, 'Suppose the bridge falls into the river?' 'Then you can issue a statement.'"

"The aide said, 'What do I tell them?'"

"That it was caused by an act of God or two cement trucks, whichever came first." "I went over to them in hopes of getting a dollar, and the mayor said, 'The city's broke. I can't afford to give you a dollar. My reputation as a fiscally responsible administrator is at stake.'"

"I said, 'If you don't tell the people that London Bridge is falling down — or its equivalent in the capital of the United States — I am going to tip off Connie Chung, or her equivalent.'"

"So the mayor took out a dollar and placed it in my paper cup just as another piece of cement came crashing down."

I asked Gibson, "If your lips are sealed, why tell me about what's going on?"

"I figure that if I told you you'd give me a dollar, too. When you sleep under a dangerous structure, two bucks are better than one."

"Thank heavens you can see the structural damage from your sleeping bag or none of us would have any idea how much the city was saving in bridge repairs."

Gibson said, "Frankly, I haven't felt safe since the District went broke. Even now when I hear a bicycle pass overhead I have an urge to jump in the river."

The Great London Opera House Lottery

By Alan Riding
New York Times Service

LONDON — Proud as it is of its lavish productions, the Royal Opera House at Covent Garden has now taken to boasting about its shortcomings, about its lack of air-conditioning and the blocked sight lines from its top balcony, about the antiquated state of its equipment and the acute shortage of space behind, beside and even above its stage.

"It's a miracle that we do what we do," said Jeremy Isaacs, the opera house's general director, noting that Covent Garden still presents 260 to 270 opera and ballet productions each year. "We work the stage entirely by manual labor. It is clumsy, inefficient, ineffective, expensive."

Of course, there is method to Covent Garden's negative publicity drive. Having decided to embark on a £290 million renovation of its home, it has applied for a \$94 million grant from the Arts Council of England to help cover the costs. And it is eager to justify the use of public funds to save a national institution in distress.

It would seem to have a good case. The elevators that raise and lower the stage floor are driven by five pre-World War I motors originally designed for submarines. A large glass bowl known as an arc rectifier, which emits strange blue flashes as it converts electricity from alternating to direct current, dates back to the turn of the century.

The space squeeze forces the Royal Ballet, which comes under the umbrella of the Royal Opera House, to use rehearsal rooms in another part of town. Scenery from opera productions in repertory is piled high in the 19th-century Floral Hall next to the main theater. And there is a safety concern. "The place hasn't been rewired in 27 years," Isaacs said.

The renovation, which includes doubling the height of the fly tower and replacing old stage machinery, should resolve many of these problems. Once rebuilt, the Floral Hall will be divided into a reception hall and a side stage. And a new building with offices, rehearsal rooms and an auditorium with 400 seats will go up on empty land beside the Floral Hall.

Yet for all its confidence that a "new" opera house will be born before the year 2000, Covent Garden is not yet home free. Because the funds it is seeking from the Arts Council will come from the profits of a new national lottery, the issue is not just whether the 137-year-old theater needs modernization. It is also whether money spent by the "poor" on lottery tickets should end up subsidizing "rich" opera-goers.

Covent Garden should not be surprised by the question. Every year, it receives \$32 million in taxpayers' money through the Arts Council. But since this covers less than 40 percent of its expenses, it must charge high prices — \$427 for the best seats



The Royal Opera House at Covent Garden.

to hear Luciano Pavarotti in Verdi's "Masked Ball" in April — to make ends meet. So it is used to being accused of elitism.

Now, with some \$400 million in lottery profits to be spent annually on capital projects for the arts, the debate has resurfaced. And in the world of opera, it has pitted Covent Garden against London's other company, the English National Opera, which is also seeking an Arts Council grant to renovate the Coliseum Theatre, its permanent West End residence.

In truth, there should be more than enough money in the kitty to finance both projects. But the debate has been complicated by a recent Lyric Theatre Review (ordered by the Arts Council), which endorsed Covent Garden's plans but suggested "a reduced role" for the English National Opera on the grounds that audiences for its operas, which are sung in English, were shrinking.

The ENO immediately saw a threat to its \$19.2

million annual subsidy from the Arts Council. And it countered that its audiences were again growing, that it had put on 190 opera performances last year and that, supporting its claim to be a "people's opera," its average seat prices were \$40 compared to \$108 at Covent Garden.

Dennis Marks, the ENO's general director, said there was now no question that the company would survive. And its plans to renovate and expand the Coliseum at a cost of around \$64 million have been finalized. "We're confident of Arts Council support for the redevelopment," he said. "We're confident about 'whether.' We still have to be sure of 'when.'"

This doubt arises because the sudden availability of lottery funds for the arts has led London's two opera companies to decide to close and renovate their theaters at more or less the same time. Both intend to continue performing in other venues, but they are now competing for available space in London's crowded theater scene.

Covent Garden, which plans to close from July 1997 until the fall of 1999, had its eye on the nearby Theatre Royal, Drury Lane, but "Miss Saigon" looks well-ensconced there. The next thought was of the Lyceum, a smaller theater that also needs refurbishment after being closed for 40 years. But the ENO, which plans to close the Coliseum in January 1997, now also wants the Lyceum.

"The ENO jumped the gun and said, 'We'll close six months before you, and we think we'll go to the Lyceum,'" Isaacs said with undisguised irritation. "If the ENO wanted to be helpful to us, which they don't particularly, they would have said, 'You tell us where you're going.'"

But the ENO fears that, by delaying its redevelopment, it will have trouble raising matching funds. It hopes to collect \$16 million through a public appeal, but corporate sponsors have traditionally favored the Royal Opera House, which plans to raise \$94 million through private donations and to cover the rest by selling or renting street-level shops in its new building.

"It would be helpful if the Arts Council steered us toward a sensible solution," Isaacs said. Marks, though, believes he has a sensible solution: the ENO will vacate the Lyceum at the end of 1997 and move to the Sadler's Wells Theatre in Islington until the Coliseum is ready in September 1998. The Royal Opera House's move to the Lyceum would then be delayed by only six months.

But Isaacs and his board are not convinced. And they are now contemplating building a \$19 million temporary structure on the South Bank of the Thames, which could seat up to 2,500 people, compared with the 2,100 places at Covent Garden. "Decision time is 10 weeks from now," Isaacs said, noting that a decision on the Arts Council grant is expected in July.

PEOPLE

Imran Weds Jemima In Islamic Ceremony

British heiress Jemima Goldsmith wore traditional Islamic dress when she married the Pakistani former cricket star Imran Khan in a short private ceremony at her parents' Paris home, a witness said. About two dozen family and friends attended the ceremony, which was conducted according to Islamic tradition by Imam Sheikh Omar of the Paris Mosque. The couple reportedly plan a second, civil ceremony to take place in Britain in June.

Tupac Shakur, the 23-year-old rapper and actor, got married last month in prison to his longtime girlfriend, Keisha Morris. Shakur is serving a four-and-a-half year sentence on a sex abuse conviction.

Fashion designer Francesco Smalto was fined \$120,000 by a French court for supplying call girls to the president of Gabon. Smalto was convicted earlier this year of recruiting the women for Omar Bongo between 1990 and 1993, during the designer's trips to the West African nation to sell Bongo clothes. Bongo has not denied that Smalto brought him prostitutes from Paris, and Smalto testified that Bongo paid the women \$2,000 to \$8,000, plus travel expenses. Prostitution is not illegal in France but pandering is.

Sir Andrew Lloyd Webber, author of a string of hit musicals and art aficionado on the side, announced that he had bought the Picasso sold last week at Sotheby's in New York. An unidentified telephone bidder spent nearly \$29.2 million for Picasso's portrait of the Barcelona anarchist Angel Fernandez de Soto.

WEATHER

Forecast for Friday through Sunday, as provided by Accu-Weather.



North America Europe Asia
Rain and thunderstorms will soak New York City and Washington, D.C. Friday, but the weekend will turn dry and comfortable. Chicago and Toronto will turn milder, with light showers or thunderstorms. Parts of Florida may have cooling thunderstorms.

A soaking rain will spread from Shanghai to Pusan and Seoul, then to Osaka and Nagoya. The rain will be preceded by a spell of warm weather. Drying will build into east-central China over the weekend. Hong Kong will be hot and humid Friday, then will turn cooler with showers.

Middle East Africa
Abu Dhabi 26/17 23/12 23/12 23/12
Beirut 26/17 23/12 23/12 23/12
Cairo 26/17 23/12 23/12 23/12
Damascus 26/17 23/12 23/12 23/12
Jerusalem 26/17 23/12 23/12 23/12
Lahore 26/17 23/12 23/12 23/12
Riyadh 26/17 23/12 23/12 23/12
Tehran 26/17 23/12 23/12 23/12
Yamoubo 26/17 23/12 23/12 23/12

Europe Asia
Amsterdam 26/17 23/12 23/12 23/12
Antwerp 26/17 23/12 23/12 23/12
Athens 26/17 23/12 23/12 23/12
Barcelona 26/17 23/12 23/12 23/12
Berlin 26/17 23/12 23/12 23/12
Brussels 26/17 23/12 23/12 23/12
Bucharest 26/17 23/12 23/12 23/12
Copenhagen 26/17 23/12 23/12 23/12
Dresden 26/17 23/12 23/12 23/12
Frankfurt 26/17 23/12 23/12 23/12
Hamburg 26/17 23/12 23/12 23/12
Heidelberg 26/17 23/12 23/12 23/12
Lyon 26/17 23/12 23/12 23/12
Madrid 26/17 23/12 23/12 23/12
Munich 26/17 23/12 23/12 23/12
Paris 26/17 23/12 23/12 23/12
Prague 26/17 23/12 23/12 23/12
Rome 26/17 23/12 23/12 23/12
St. Petersburg 26/17 23/12 23/12 23/12
Stockholm 26/17 23/12 23/12 23/12
Strasbourg 26/17 23/12 23/12 23/12
Tallinn 26/17 23/12 23/12 23/12
Vienna 26/17 23/12 23/12 23/12
Warsaw 26/17 23/12 23/12 23/12
Zurich 26/17 23/12 23/12 23/12

Latin America North America
Buenos Aires 26/17 23/12 23/12 23/12
Caracas 26/17 23/12 23/12 23/12
Cuba 26/17 23/12 23/12 23/12
Lima 26/17 23/12 23/12 23/12
Mexico City 26/17 23/12 23/12 23/12
Rio de Janeiro 26/17 23/12 23/12 23/12
Santiago 26/17 23/12 23/12 23/12
Sao Paulo 26/17 23/12 23/12 23/12
Tijuana 26/17 23/12 23/12 23/12
Washington 26/17 23/12 23/12 23/12

WEEKEND DESTINATIONS

SATURDAY									
Location	Weather	High Temp.	Low Temp.	Water Temp.	Waves	Wind	Location	Weather	High Temp.
Amsterdam	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Cairo	sunny	26/17
Antwerp	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Caracas	sunny	26/17
Athens	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Chicago	partly sunny	18/6
Barcelona	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Copenhagen	partly sunny	18/6
Berlin	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Dresden	partly sunny	18/6
Brussels	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Frankfurt	partly sunny	18/6
Bucharest	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Hamburg	partly sunny	18/6
Copenhagen	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Heidelberg	partly sunny	18/6
Dresden	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Lyon	partly sunny	18/6
Frankfurt	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Madrid	partly sunny	18/6
Hamburg	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Munich	partly sunny	18/6
Heidelberg	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Paris	partly sunny	18/6
Lyon	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Prague	partly sunny	18/6
Madrid	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Rome	partly sunny	18/6
Munich	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	St. Petersburg	partly sunny	18/6
Paris	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Stockholm	partly sunny	18/6
Prague	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Strasbourg	partly sunny	18/6
Rome	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Tallinn	partly sunny	18/6
St. Petersburg	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Vienna	partly sunny	18/6
Stockholm	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Warsaw	partly sunny	18/6
Strasbourg	partly sunny	18/6	10/5	17/6	2-3	NW 25-50	Zurich	partly sunny	18/6
Tallinn	partly sunny	18/6	10/5	17/6	2-3	NW 25-50			
Vienna	partly sunny	18/6	10/5	17/6	2-3	NW 25-50			
Warsaw	partly sunny	18/6	10/5	17/6	2-3	NW 25-50			
Zurich	partly sunny	18/6	10/5	17/6	2-3	NW 25-50			

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